

# EXHIBIT E

# EXHIBIT E

**SUMMARY REPORT FORMAT**

**“AS IS” MARKET VALUE OF**

**THE FEE SIMPLE ESTATE  
IN**

**115.27 +/- ACRES(NON-CONTIGUOUS)/863 PAPER LOTS  
DUCK CREEK ESTATES  
LOCATED AT POCK LANE & CARPENTER ROAD  
WITHIN THE CITY OF STOCKTON SPHERE OF INFLUENCE  
SAN JOAQUIN COUNTY, CA**

**EFFECTIVE DATE OF THE APPRAISAL**

December 31, 2009

**DATE OF THE REPORT**

January 7, 2010

**DOZIER FILE NUMBER 09-125LHP**

PREPARED FOR

**SPECIALTY TRUST  
MR. NELLO GONFIANTINI III, PRESIDENT  
6160 PLUMAS STREET  
RENO, NV 89509**

**BY**

**Raymond L. Dozier, MAI  
DOZIER APPRAISAL COMPANY  
PALM DESERT, CA 92260**

**DOZIER APPRAISAL COMPANY**  
**Resort and Urban Property Appraisers**  
**Valuation and Financial Consultants**

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73-350 EL PASEO, SUITE 206  
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RAYMOND L. DOZIER, MAI  
CERTIFIED GENERAL APPRAISER  
LICENSE # AG004590

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January 7, 2010

Specialty Trust  
Attn: Mr. Nello Gonfiantini  
6160 Plumas Street  
Reno, NV 89509

*RE: "As Is" Market Value Appraisal of 115.27 +/- Residential Land located at Pock Lane and Carpenter Road within the City of Stockton Sphere of Influence, San Joaquin County, CA 95215*

Mr. Gonfiantini:

Enclosed is an appraisal I have made of the "AS IS" Market Value 115.27 +/- Acres (863 Paper Lots) located at Pock Lane and Carpenter Road within the City of Stockton sphere of influence, San Joaquin County, CA 95215. This appraisal was made at the request and agreement between Specialty Trust and Dozier Appraisal Company. Specialty Trust is the client and intended user of this report.

The purpose of this appraisal is to estimate the "As Is" Market Value of the Real Property Interest of the subject's 115.27 +/- Acres (863 paper lots) as if sold to a single purchaser as of the appraiser's date of inspection December 31, 2009. All elements of a MARKET VALUE sale are to be present in terms of the price upon which a willing and well-informed seller and a willing and well-informed buyer would agree, in the absence of any unusual compulsion on either, and reasonable exposure on the open and competitive market. Reasonable exposure time in MARKET VALUE estimates precedes the specified date (effective date) of the appraisal. MARKET VALUE also assumes an open and competitive market of the property interest being appraised. The function of the appraisal is for possible non-federally related financing.

The property rights being appraised are the Fee Simple Interest of all future benefits that may be derived from the property's present or possible use, except for existing easements and rights-of-way of record.

To develop this appraisal, Raymond L. Dozier, MAI has made a personal inspection of the subject property. In addition, he has reviewed sales of comparable properties and performed a highest and best use analysis, and has weighed and compared the data to arrive at the estimated value of the subject property. The effective date of this appraisal is December 31, 2009.

This report is subject to the enclosed Assumptions and Limiting Conditions, the Certification and the Scope of the Appraisal on Page 13. This appraisal is being made on the real property only. Otherwise, there are no other extraordinary assumptions or hypothetical conditions regarding this appraisal. Also, this letter of transmittal is not the completed appraisal report but a statement of value conclusions. Users of this appraisal are encouraged to read the completed attached report to reach the appraiser's conclusions via the appraisal process.

DOZIER APPRAISAL COMPANY

Page 2  
Dozier Appraisal Company

The intention of this appraisal report is to comply fully with FIRREA appraisal guidelines, as well as the current Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards Board of the Appraisal Foundation; the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The departure provision shall not apply.

The undersigned does not have any personal interest, either present or contemplated, in the subject property and certifies that fees, received or to be received, for the employment of my services are not contingent on the opinions reported herein. In addition, the undersigned meets the Competency Provision Standard (1.1a,b, c) as required by USPAP and has the knowledge and experience to complete the assignment competently.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the "AS IS" MARKET VALUE of the subject property's fee simple interest, as of the effective date December 31, 2009, is measured in the amount of:

**\$9,450,000 (\$82,415/Acre - \$10,950/paper lot)<sup>1</sup>**

**(NINE MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS)**

<sup>1</sup> Later in this report the reader will note the appraiser estimated an exposure time to sell this property after the date of this appraisal at 10-12 months. Consequently, due to current negative economic conditions, if the property must be sold prior to this 10-12 month exposure period after the date of this appraisal, the sales price would be considered a liquidation value which could be significantly less than the appraised market value.

Respectfully submitted,  
DOZIER APPRAISAL COMPANY

A handwritten signature in dark ink, appearing to read 'RD', with a large, stylized loop at the end.

Raymond L. Dozier, MAI  
State Certified General Real Estate Appraiser  
CA. Cert. No. AG004590  
RLD/09-125 LP

*DOZIER APPRAISAL COMPANY*

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### **CERTIFICATION**

I certify, that, to the best of my knowledge and belief . . .

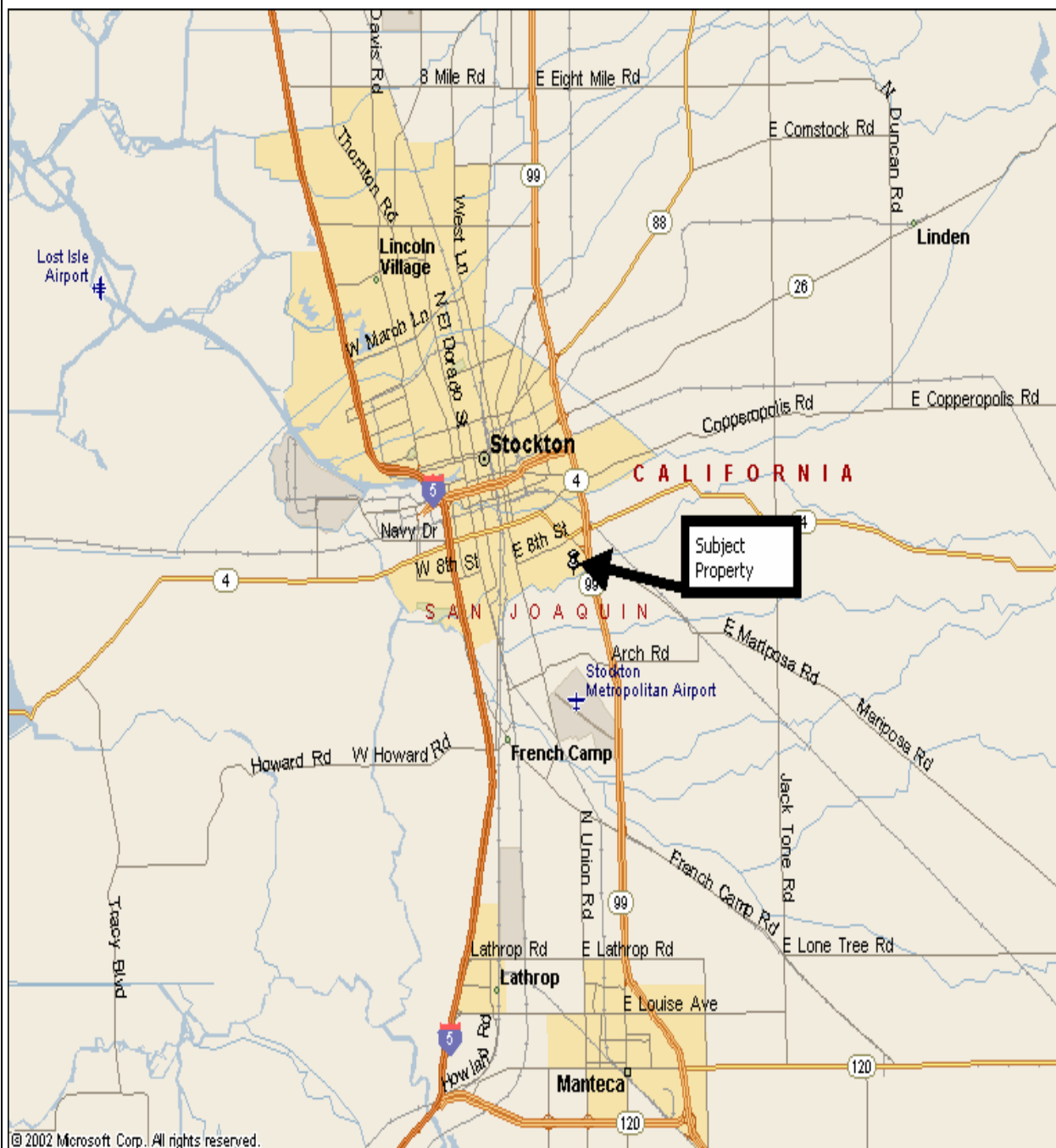
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- Ms. Lori Pabros, independent contractor, provided significant professional assistance to the person signing this report. Mr. Raymond L. Dozier, MAI, performed final analysis of market data in determining indication of value.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- I certify that, to the best of my knowledge and belief, the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report I, Raymond L. Dozier, MAI, have completed the requirements of the continuing education program of the Appraisal Institute.



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Raymond L. Dozier MAI  
State Certified General Real Estate Appraiser  
CA. Cert. No. AG004590

## REGIONAL MAP



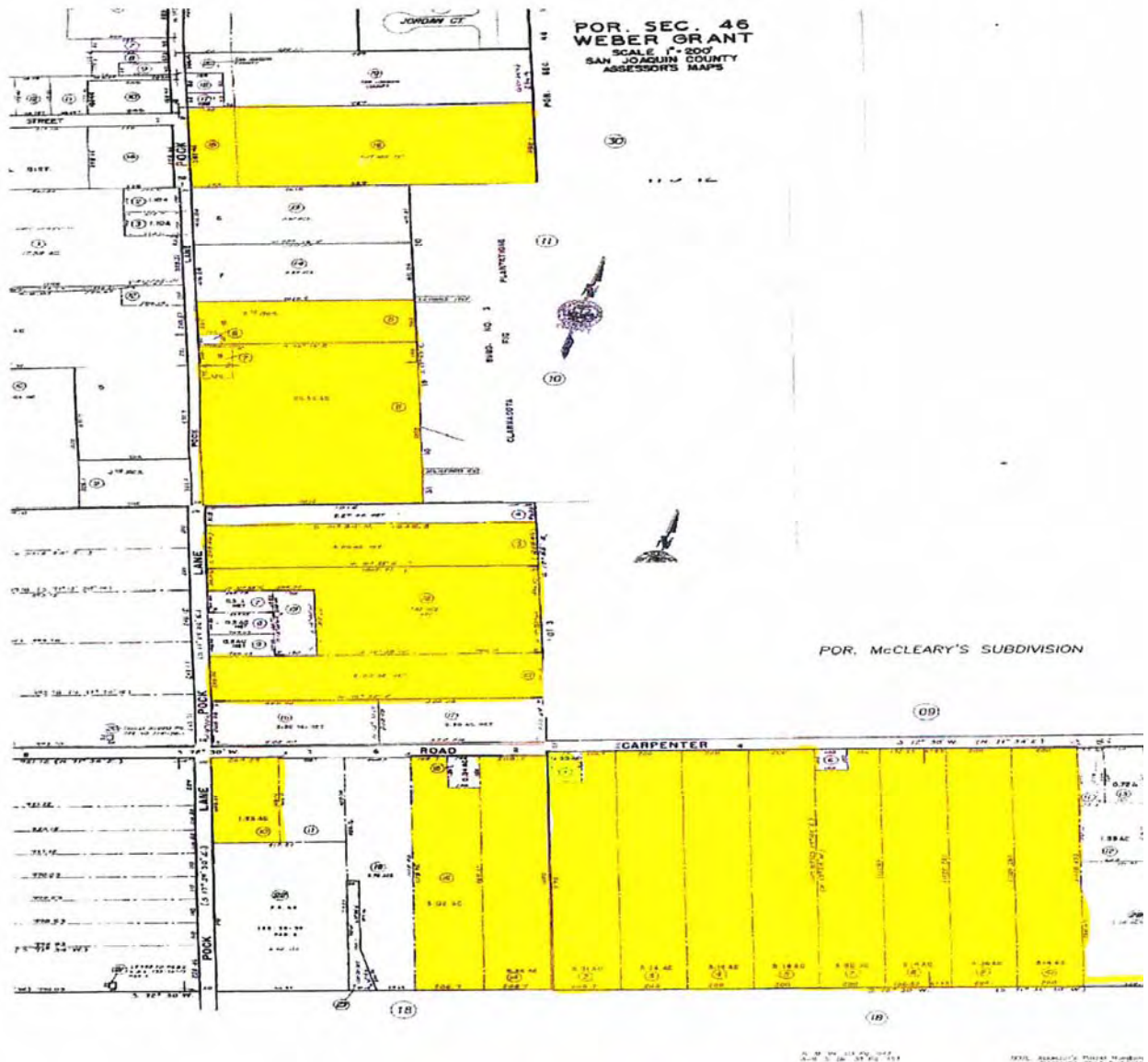
## NEIGHBORHOOD MAP



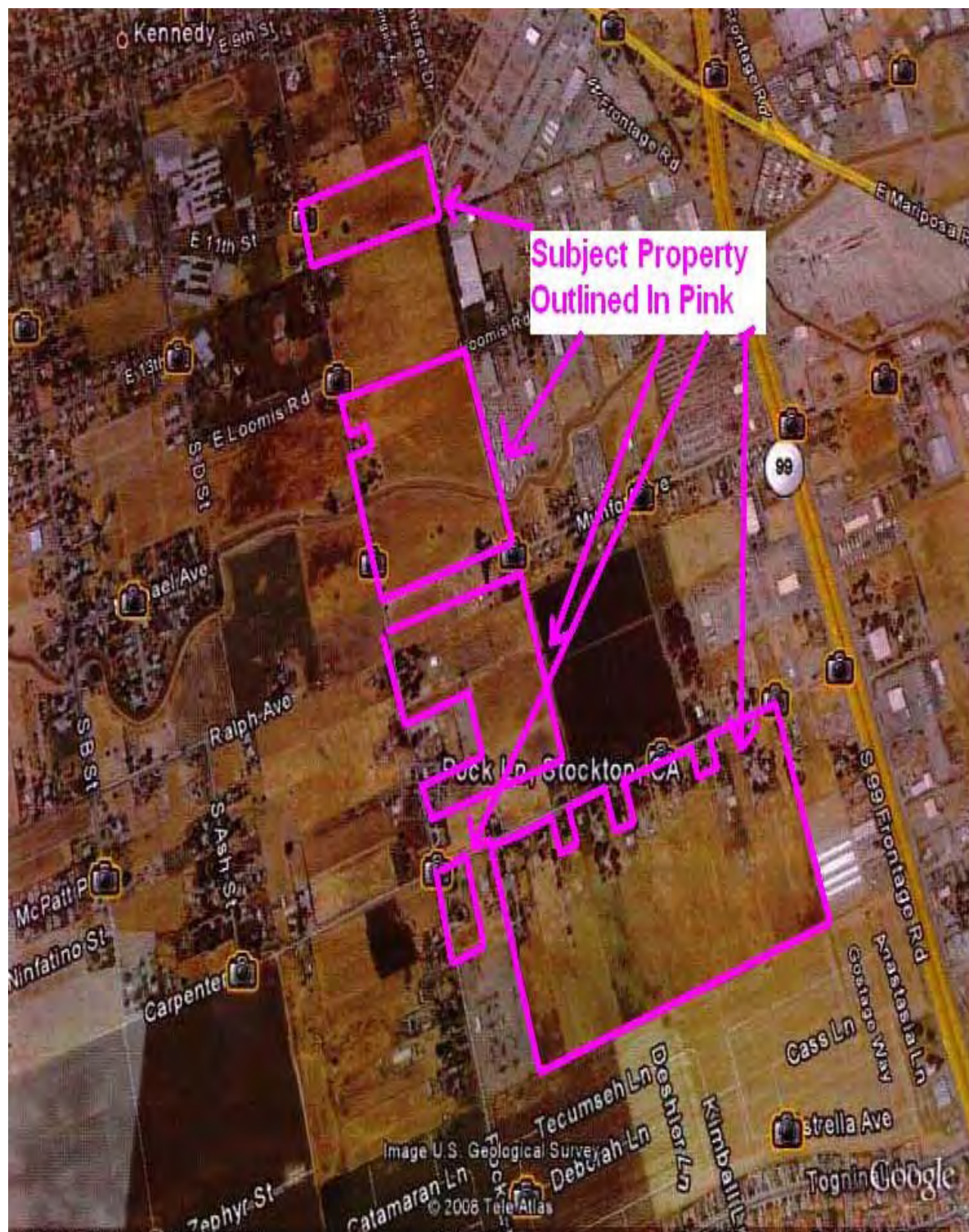


SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

**PLAT MAP**  
**115.27 +/- Acres TOTAL**



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**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

**SUBJECT PHOTOGRAPHS**



**Northeast View of Subject along Pock Lane**



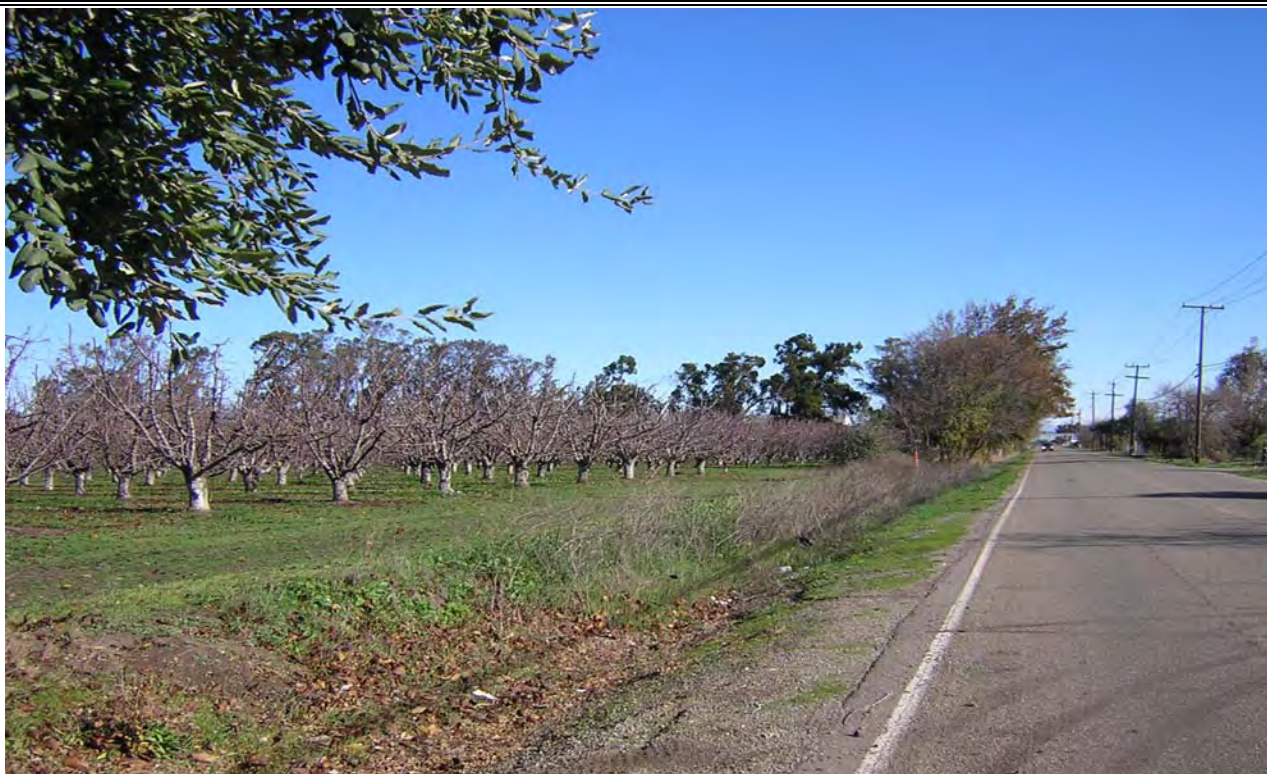
**East View of Subject along Pock Lane**



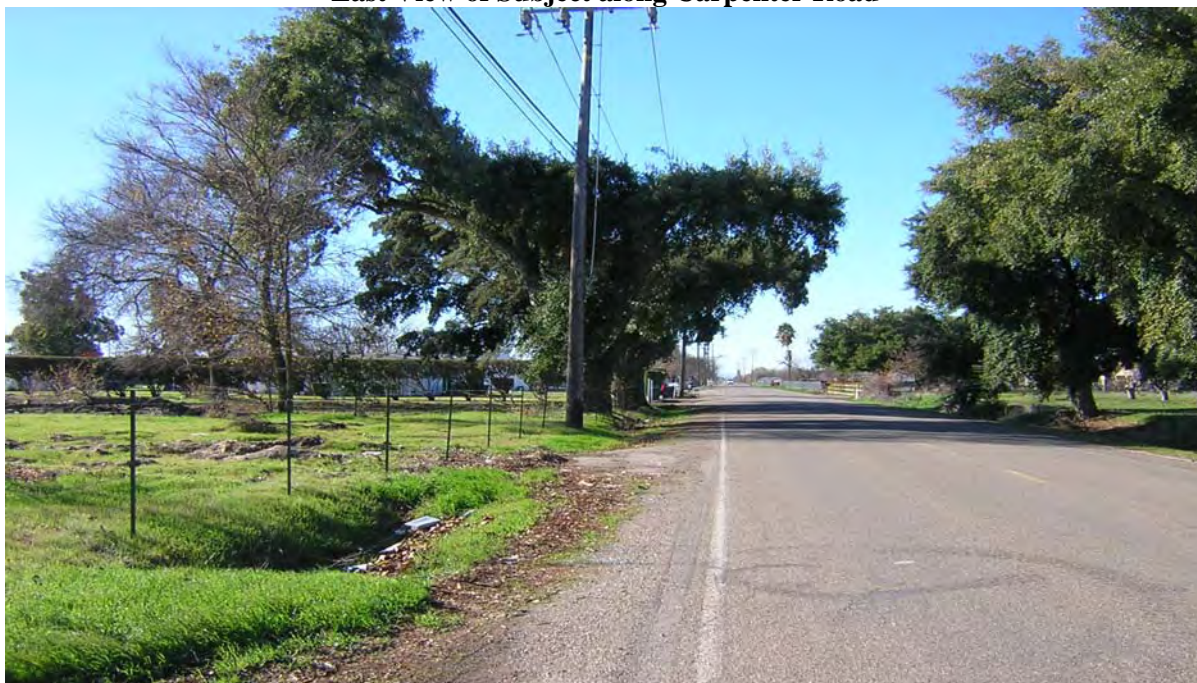
**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

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**SUBJECT PHOTOGRAPHS**



**East View of Subject along Carpenter Road**



**West View of subject along Carpenter Road**

**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**


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<b>Property Type:</b>	115.27 +/- Acres Vacant Land
<b>Location:</b>	Pock Lane and Carpenter Road within the City of Stockton Sphere of Influence
<b>Identification:</b>	See Addendum
<b>Census Tract Number:</b>	0028.00
<b>Thomas Guide Map Page &amp; Grid:</b>	N/A
<b>Purpose of the Appraisal:</b>	The purpose of this appraisal is to estimate the "As Is" Market Value of the Real Property Interest of the subject's 115.27 +/- Acres (863 paper lots) as if sold to a single purchaser as of the appraiser's date of inspection December 31, 2009. All elements of a MARKET VALUE sale are to be present in terms of the price upon which a willing and well-informed seller and a willing and well-informed buyer would agree, in the absence of any unusual compulsion on either, and reasonable exposure on the open and competitive market. Reasonable exposure time in MARKET VALUE estimates precedes the specified date (effective date) of the appraisal. MARKET VALUE also assumes an open and competitive market of the property interest being appraised.
<b>Function of the Appraisal:</b>	The function of the appraisal is for possible non-federally related financing.
<b>Scope of the Appraisal:</b>	Complete narrative format adhering to all FIRREA and USPAP Standards; Departure provisions shall not apply.
<b>Property Rights Appraised:</b>	The property rights being appraised are the Fee Simple Interest of all future benefits that may be derived from the property's present or possible use, except for existing easements and rights-of-way of record.
<b>Street Frontage:</b>	Along Pock Lane & Carpenter Road
<b>Access:</b>	Along Pock Lane & Carpenter Road
<b>Site Size:</b>	115.27 +/- Acres
<b>Site Shape:</b>	Rectangular (Non-Contiguous)
<b>Visibility:</b>	Good
<b>Zoning:</b>	
• <b>General Plan</b>	Residential Médium Density
• <b>Specific Plan</b>	Residential

## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

<b>Unavailability of Information:</b>	Information vital to the appraiser in connection with this property was made available from various sources. The appraiser has not been provided a survey, exact boundary lines or acreage, a standard current title report, environment report, soil tests or other relevant data on the subject property.
<b>Entitlements:</b>	None (Environmental Studies, Due Diligence; Water/Sewer Studies)
<b>Topography:</b>	Mostly Level to street grade
<b>Containment in Floodplain:</b>	The subject is located in area shown as Flood Zone C Panel 0465C; Community 060299 defined as follows: Multiple floods including "Areas outside of the 100 year and 500 year flooding., Areas inundated with 500 year flood and floodway areas along Duck Creek.
<b>Current Improvements:</b>	Vacant Land and some single family dwellings. (Any value in the existing improvements, would be off-set by the cost of demolition leaving no contributory value to the existing improvements)
<b>Blowsand Area:</b>	No
<b>Utilities:</b>	All public utilities appear to be available to the site but are not warranted and capacities are unknown for the subject property.
<b>Easements:</b>	The subject property is being appraised assuming that there are no easements or encroachments that negatively affect the value of the property.
<b>Off Sites:</b>	Pock Lane and Carpenter Road are two lane paved road with no curbs or gutters along the subject's street frontage.
<b>Toxic Waste:</b>	This report assumes these parcel are not now, nor have ever been contaminated with any form of toxic waste or hazardous substance.
<b>Adjacent Uses:</b>	
<b>North:</b>	Industrial Land and Industrial Development
<b>West:</b>	Elementary School and Single Family Dwellings
<b>South:</b>	Single Family Dwellings and Vacant Land
<b>East:</b>	Vacant Land and Industrial Development
<b>Deductions and Discounts:</b>	No deductions or discounts were made in the valuation of the property. Indicated Market Value has not been reduced by the cost of holding or selling the property.

## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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### Highest and Best Use:

- **“AS IS”**

The reader will note that the current Bulk or Wholesale Market Value with a four year hold \$25,642,000 is less than the current Cost of Production \$30,628,000 making economically infeasible to immediately develop the subject property at the present time. Therefore, it was determined that the highest and best use for the subject property “as is” is to hold for future residential development (approximately 4 years).

- **“AS PROPOSED”**

It was determined that the highest and best use for the subject property “as proposed” is hold the property for near term development (approximately 3-4 years) and then develop as a single family residential subdivision with price points in the \$300,000 to \$350,000 range.

**Reasonable Exposure: (Prior)**

6 to 9 months

**Marketing Time (After):**

10 to 12 months

**Most Probable Purchaser**

Land Speculator



## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

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### **Trend Analysis:**

#### **• Regional/City/Neighborhood:**

The San Joaquin County's favorable environmental, economic, social and governmental forces will contribute to a continued demand for real estate in the area in the long run. This is primarily due to the relatively lower cost of housing compared to other counties in Northern California. Recently, the market conditions in the area and across the country have taken a significant down turn. The following factors have had a negative effect on current market conditions:

- Sub Prime Mortgage lenders have tightened their qualifying requirements, making it very difficult to fund home buyers with less than perfect credit, causing slower absorption in the market.
- Retail activity has slowed in the last 12 months due to the lack of consumer confidence over higher fuel prices, slow real estate markets and job losses in the construction and real estate sectors.
- Mortgage money crunch causing limited funds for purchases of raw land and finished product.
- It is concluded that over the next 12 to 18 months, construction financing will continue to become more difficult to obtain for residential developments that are economically feasible. Consumer demand for these properties should continue to decrease over the next 18 months with a balancing of supply and demand in the market expected in the next 24 to 30 months.

San Joaquin County and specifically the Stockton area have historically been one of slower growing regions in California and the Nation. Large corporations, speculators and major developers are currently positioning themselves with large mixed use land parcels awaiting the next residential market cycle.

#### **Personal Property, Fixtures, and Intangible Items:**

This report does not include any personal property, fixtures or intangible items.



**SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

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**MARKET VALUE INDICATION  
("AS IS" FEE SIMPLE):**

<b>Sales Comparison Approach</b>	<b>\$9,284,000 (\$80,541/Acre - \$10,758/Paper Lot)</b>
<b>Land Residual Technique</b>	<b>\$9,500,000 (\$82,415/Acre - \$11,008/Paper Lot)</b>
<ul style="list-style-type: none"> <li><b>Cost of Production</b></li> </ul>	<b>\$30,628,000 (Bulk or Wholesale to Finished Lot Status)</b>
<ul style="list-style-type: none"> <li><b>Aggregate Retail</b></li> </ul>	<b>\$83,368,000 (Finished Lots –Prospective as of 12/31/2013)</b>
<ul style="list-style-type: none"> <li><b>Income Approach (DCF) (as of 12/31/2009 – with 4 yr hold)</b></li> </ul>	<b>\$25,642,000 (Bulk or Wholesale to Finished Lot Status)</b>
<ul style="list-style-type: none"> <li><b>Prospective Cost of Production as of 12/31/2013</b></li> </ul>	<b>\$35,368,000 (Bulk or Wholesale to Finished Lot Status)</b>
<ul style="list-style-type: none"> <li><b>Income Approach (DCF) (Prospective Value as of 12/31/2013)</b></li> </ul>	<b>\$40,453,000 (Bulk or Wholesale to Finished Lot Status)</b>

**II. RECONCILED "AS IS" FEE  
SIMPLE MARKET VALUE  
INDICATION:****\$9,450,000 (\$81,981/Acre - \$10,950/Paper Lot)****Date of Last Inspection: December 31, 2009****Effective Date of Value Estimate: December 31, 2009****Date of Report: January 7, 2010**

**PART TWO - FACTUAL DATA (continued)**

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**PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to estimate the "As Is" Market Value of the Real Property Interest of the subject's 115.27 +/- Acres as if sold to a single purchaser as of the appraiser's date of inspection December 31, 2009. All elements of a MARKET VALUE sale are to be present in terms of the price upon which a willing and well-informed seller and a willing and well-informed buyer would agree, in the absence of any unusual compulsion on either, and reasonable exposure on the open and competitive market. Reasonable exposure time in MARKET VALUE estimates precedes the specified date (effective date) of the appraisal. MARKET VALUE also assumes an open and competitive market of the property interest being appraised.

**THE FUNCTION OF THE APPRAISAL**

The function of the appraisal is for possible non-federally related financing.

**THE SCOPE AND EXTENT OF THE DATA COLLECTION PROCESS**

The following steps were made in arriving at the final estimate of value in the appraisal report:

1. A preliminary search of available resources was made to determine market trends, influences, and other significant factors pertinent to the subject property.
2. A physical inspection of the property was performed. Although due diligence was exercised while at the property, the appraiser is not an expert in such matters as accident or tragic issues; crime issues; legal issues; suit or claim issues; government issues; land use issues; nuisance issues; building issues; repair issues; soil issues; geo-technical issues; hazardous issues; contamination issues; environmental agency issues; natural resource issues; historic or cultural issues; natural hazard issues; and all issues to those known – past, present or proposed. No warranty is given as to these elements. As needed, inspections by various professionals within these fields might be recommended, with the final estimate of value subject to their findings.
3. Research and collection of data from the subject's competing market area are sufficient in quantity to express an opinion of value as defined herein. Relevant data is contained in this report.

An analysis of the data was completed by applying customary appraisal techniques and following the USPAP standards. The report will be a complete appraisal summary report and will be expected to lead the reader to the same value conclusion as suggested by the appraiser.

**DATE OF VALUE ESTIMATE**

Site was inspected December 31, 2009 with this date being the effective date of the appraisal. The date of this report is January 7, 2010.

**PART TWO - FACTUAL DATA (continued)**

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**IDENTIFICATION OF PROPERTY RIGHTS APPRAISED**

The property rights being appraised are the Fee Simple Interest of all future benefits that may be derived from the property's present or possible use, except for existing easements and rights-of-way of record.

**DEFINITIONS OF VALUE AND PROPERTY RIGHTS**

“MARKET VALUE” means: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeable and assuming the price is not affected by undue stimulus.<sup>1</sup> Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated
- Both parties are well informed or well advised, and each acting in what he considers his own best interest
- A reasonable time is allowed for exposure in the open market
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

MARKET VALUE is based on the concept of an open and competitive market in which typical transactions are free of the aspects of duress or forced liquidation.

The REASONABLE EXPOSURE TIME inherent in the MARKET VALUE concept is always presumed to occur PRIOR to the effective date of the appraisal.

The REASONABLE MARKETING PERIOD is an estimate of the amount of time it might take to sell a property interest in the real estate at the estimated market value level during the period IMMEDIATELY AFTER the effective date of the appraisal.

To estimate “Market Value” during a period of very limited market activity is extremely difficult and challenging. The key to the property analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of MARKET VALUE. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of MARKET VALUE.

During some periods of distressed market conditions, MARKET VALUE may imply a price at which a transaction will not occur until such time as conditions in the market match the definition of MARKET VALUE.

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<sup>1</sup> (Title XI, FIRREA, 34.42 f)

**PART TWO - FACTUAL DATA (continued)**

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**DEFINITIONS OF VALUE AND PROPERTY RIGHTS (continued)**

The term “FEE SIMPLE ESTATE” means: Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.<sup>2</sup>

The term “LEASED FEE ESTATE” means: A Leased Fee Estate is an ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others; the rights of lessor (the leased fee owner) and the lessee (leaseholder) are specified by contract terms contained within the lease.<sup>3</sup>

MARKET VALUE “As Is” means: “An estimate of market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of inspection. When an “As Is” valuation premise is used, the property is valued as of a specified date, assuming the property is in **precisely** the condition or status it actually was (is) in on the effective date of value. This condition must be accurately described in the appraisal report.<sup>4</sup>

MARKET VALUE is based on the concept of an **open and competitive market** in which typical transactions are free of the aspects of duress or forced liquidation.

MARKET VALUE “as if complete” on the appraisal date means the market value of a property with all proposed construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions, as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property “as if complete and prepared for occupancy by tenants” The as if complete premise assumes that all assumptions are in place as of the date of value.

SUPER PAD is a mass graded pad which was created in order to create earthwork balances within future subdivision parcels. It would require additional grading and in-tract development prior to building vertical construction, and may require additional mapping and may even require additional entitlements.

BLUE TOP PAD is a lot or a pad which has been graded and certified and is ready for construction. No additional grading is required to construct the building. Streets and utilities are not necessarily constructed.

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<sup>2</sup> Title XI, FIRREA, 34.42 {f}

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, Appraisal Institute, Page 83

<sup>4</sup> Appraisal Policies and Practices of Insured Institutions and Service Corporatons, Federal Home Loan Bank Board, “Final Rule”, 12 CFR Parts 563 and 571, Dec. 21, 1987

**PART TWO - FACTUAL DATA (continued)**

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FULLY ENTITLED Approval of a final map or a parcel map does not in itself confer a vested right to develop. *Avco Community Developers, Inc. v. South Coast Reg'l Comm'n*, 17 Cal 3d 785, 739-94 (1976); *Oceanic Cal., Inc. v. North Cent. Coastal Reg'l Comm'n*, 63 Cal.App. 3d 57, 72-73 (1976); *Consaul v. City of San Diego*, 6 Cal. App. 4<sup>th</sup> 1781, 1793 (1992). Zoning can still be changed, or other police ordinances can be adopted, after even final maps, conditional use permits, PUDs, zoning, rezoning, grading or other permits have been granted. There is no vested right to develop until actual building or other permits for identifiable builds have been issued, and substantial work has been done thereafter in reliance on those permits.

LIQUIDATION VALUE is the most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale will occur within a severely limited future marketing period specified by the client.
2. The actual market conditions currently prevailing are those to which the appraised property interest is subject.
3. The buyer is acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. The buyer is acting in what he or she considers his or her best interest.
7. A limited marketing effort and time will be allowed for the completion of the sale.
8. Payment will be made in cash in U.S. Dollars or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

**PART TWO - FACTUAL DATA (continued)**

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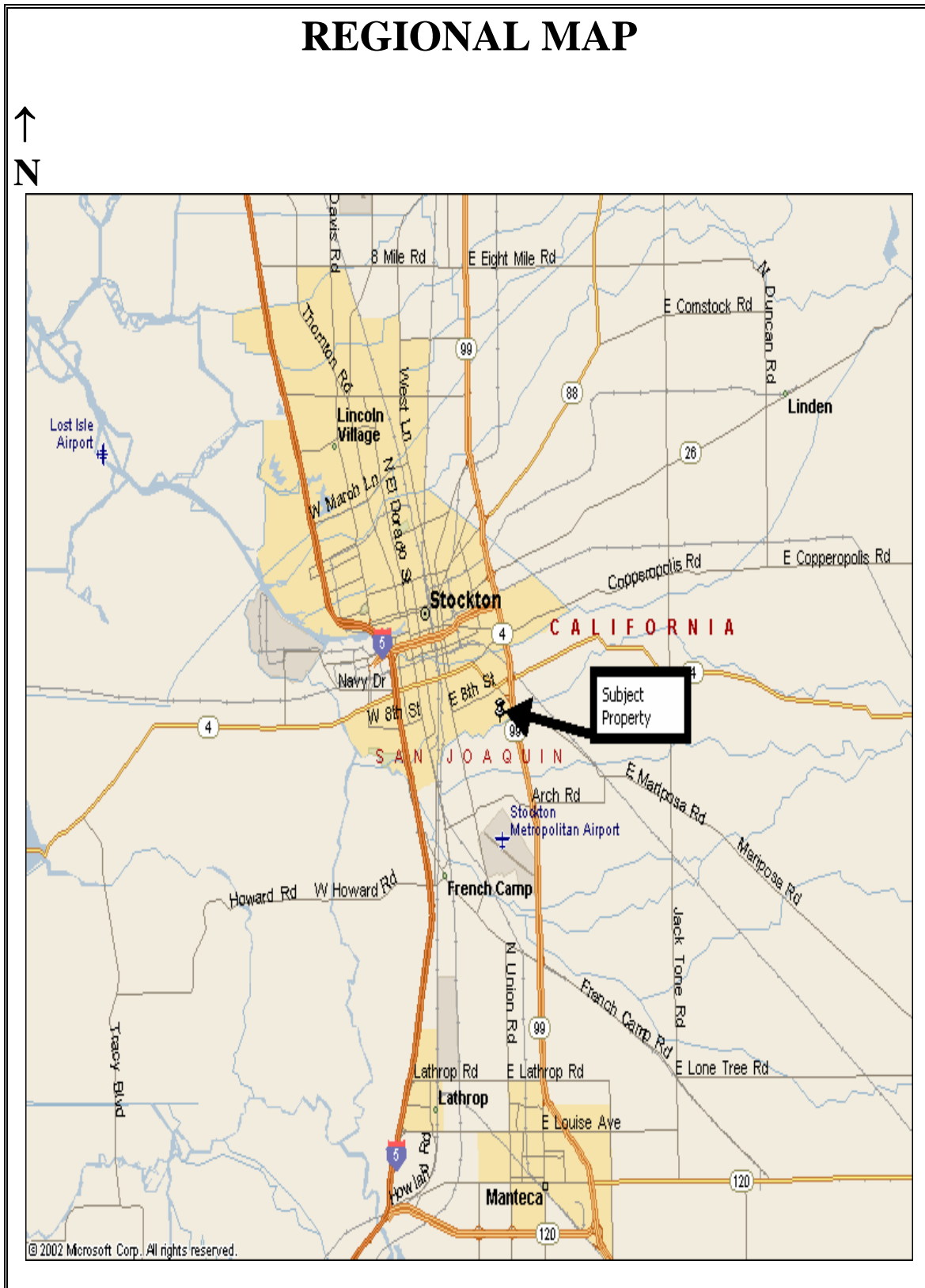
**LEGAL DESCRIPTION AND IDENTIFICATION OF PROPERTY**

<b>Reference:</b>	See Addendum
<b>Common Address:</b>	Pock Lane & Carpenter Road, San Joaquin County, CA 95215
<b>Legal Description:</b>	SEE ADDENDUM
<b>Current Ownership:</b>	Specialty Finance
<b>Condition of Title:</b>	No assessment of the condition of the title has been made by the appraiser; but as outlined in the Assumptions and Limiting Conditions, which are part of this report, the property is appraised as if free and clear of any liens and encumbrances.

**HISTORY OF THE SUBJECT PROPERTY**

- The subject property consists of 20 non-contiguous parcel totaling 115.27 +/- acres. The subject property was assembled over a span of 10+ years for a collective purchase price of \$12,861,000.
- Later in the appraisal the reader will note that the subject property has an estimated appraised value of \$9,450,000 Acre. The difference between the collective purchase price of \$12,861,000 and the current appraised value of \$9,450,000 Is due to decreasing market conditions for residential land over the past 18 months.

PART TWO - FACTUAL DATA (continued)



## **PART TWO – FACTUAL DATA**

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### **REGIONAL AND CITY ANALYSIS – SAN JOAQUIN COUNTY**

#### **San Joaquin County and Stockton Overview**

San Joaquin County, in Central California, is bordered on the south and east by Stanislaus County, on the west by Contra Costa County, and on the north by Sacramento County. The subject is located in the unincorporated area of San Joaquin County within the sphere of influence of the City of Stockton. Historically, the shipping and storage industries have been the focal points of the Stockton area. More recently, the wine industry has become another major industry in the area. Stockton is the 13<sup>th</sup> largest city in California.

#### **A. SOCIAL**

The population growth for the City of Stockton was nearly 18% between 2001 and 2008 for an average rate of about 2.2% per year. Demand for relatively lower cost housing by Bay area workers willing to commute was the main cause of the population increase. Demand has declined since 2006 due to more supply of foreclosed homes on the market. It is anticipated that Stockton and San Joaquin County will continue slower growth in the next few years.

#### **B. ECONOMIC**

The economic climate of the Stockton area will be analyzed as to the fundamental relationship between current and anticipated supply and demand for property types similar to the subject. The main economic base of the area is shipping, warehousing, agriculture and vineyards.

Interest rates for mortgage money currently vary from 5.0% to 9.0% variable and fixed, 30-year amortization with 10 to 30 year due dates. Interest rates vary with the viability of the borrower and the project. Due to the recent credit crunch and sub-prime mortgage crisis, credit has become more difficult to obtain even for borrowers with excellent credit.

In the past 20 years, much of the land in the vicinity of Stockton has been developed. In more recent years the development has spread to the peripheral county areas including the subject's immediate district. Currently, there are new commercial and residential developments in the northern Stockton area and the southern areas of Manteca and Tracey. There is the Little John Creek residential subdivision which is built out located directly south of the subject property.

#### **C. GOVERNMENTAL:**

The infrastructure of the San Joaquin is adequate. Several street and highway improvements have been completed in the past few years and others are underway to improve commute time and ease traffic.

Each incorporated city has its own master plan and particular zoning regulations. In addition, portions of the valley not within the incorporated area are subject to county zoning. Generally, county zoning regulations are less stringent than the city zoning in the valley.



## PART TWO – FACTUAL DATA

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### D. GOVERNMENTAL (continued):

The federal reserve board recently lowered the interest rates a record number of times in the past year but recently indicated that a period of stable interest rates is probable for the near future. The local economy remained relatively strong over the past several years, but has declined over the past year.

Overall, each city government of the valley is progressive and adequately competent in their approach to maintaining a quality environment conducive to preserving the existing base industries; promoting greater long term retail/commercial development and providing quality housing.

### C. ENVIRONMENTAL:

The Stockton area has four distinct seasons, with relatively mild winter temperatures when compared to other areas of the country. Summers are relatively warm when compared to the San Francisco Bay Area. Stockton area's overall climate is conducive for farming various crops, cold fruit trees, nut trees and vineyards. Soil conditions are adequately stable for building purposes.

### D. CONCLUSION:

The San Joaquin County's favorable environmental, economic, social and governmental forces will contribute to a continued demand for real estate in the area in the long run. This is primarily due to the relatively lower cost of housing compared to other counties in Northern California. Recently, the market conditions in the area and across the country have taken a significant down turn. The following factors have had a negative effect on current market conditions:

- Sub Prime Mortgage lenders have tightened their qualifying requirements, making it very difficult to fund home buyers with less than perfect credit, causing slower absorption in the market.
- Retail activity has slowed in the last 12 months due to the lack of consumer confidence over higher fuel prices, slow real estate markets and job losses in the construction and real estate sectors.
- Mortgage money crunch causing limited funds for purchases of raw land and finished product.
- It is concluded that over the next 12 to 18 months, construction financing will continue to become more difficult to obtain for residential developments that are economically feasible. Consumer demand for these properties should continue to decrease over the next 18 months with a balancing of supply and demand in the market expected in the next 24 to 30 months.

San Joaquin County and specifically the Stockton area have historically been one of slower growing regions in California and the Nation. Large corporations, speculators and major developers are currently positioning themselves with large mixed use land parcels awaiting the next residential market cycle.

**PART TWO – FACTUAL DATA****POPULATION, HOUSING, AND INCOME DATA FOR THE CITY OF STOCKTON**

-Revised 03/12/09-

**Table 1: City of Stockton Population**

Historical Census (1950-2000)				Annual Estimates			
Year	Population	Change	% Change	Year	Population	Change	% Change
1950	70,853	16,139		2001	249,046	5,275	2.2%
1960	86,321	15,468	21.8%	2002	255,208	6,162	2.5%
1970	107,644	21,323	24.7%	2003	262,506	7,298	2.9%
1980	148,283	40,639	37.8%	2004	271,005	8,499	3.2%
1990	210,943	62,660	42.3%	2005	278,776	7,771	2.9%
2000	243,771	32,828	15.6%	2006	284,626	5,850	2.1%
				2007	287,677	3,051	1.1%
				2008	289,927	2,250	0.8%

Sources:

Population Counts for 1950-1980 provided by US Census

State of California, Department of Finance, *E-4 Historical Population Estimates for City, County and the State, 1991-2000, with 1990 and 2000 Census Counts*. Sacramento, California, August 2007.State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State, 2001-2008, with 2000 Benchmark*. Sacramento, California, May 2008.**Table 2: City of Stockton Housing Units 2000-2008**

Year	Total Units	Single-Family	Multi-Family	Mobile Homes	Persons per Household
2000	82,042	55,680	25,074	1,288	3.035
2001	82,798	56,421	25,089	1,288	3.075
2002	84,303	57,937	25,078	1,288	3.101
2003	85,988	59,588	25,112	1,288	3.130
2004	88,826	62,130	25,408	1,288	3.138
2005	91,725	64,738	25,699	1,288	3.132
2006	94,409	67,289	25,832	1,288	3.113
2007	95,864	68,636	25,940	1,288	3.084
2008	96,553	69,321	25,944	1,288	3.087

Source: State of California, Department of Finance, *E-5 Population and Housing Estimates for Cities, Counties and the State, 2001-2008, with 2000 Benchmark*. Sacramento, California, May 2008.**Table 3: New Housing Units Based on Finaled Building Permits 2000-2008**

Year	Total	Single-Family	2-4 Units	5+ Units
2000	1,163	1,135	12	16
2001	1,534	1,534	0	0
2002	1,750	1,675	3	72
2003	2,866	2,555	11	300
2004	2,945	2,640	39	266
2005	2,706	2,571	22	113
2006	1,507	1,392	29	86
2007	836	750	16	70
2008	342	311	10	21
<b>Totals</b>	<b>15,649</b>	<b>14,563</b>	<b>142</b>	<b>944</b>
<b>Annual Avg.</b>	<b>1,913</b>	<b>1,782</b>	<b>17</b>	<b>115</b>

Sources: City of Stockton Community Development Department, 2009

**Table 4: City of Race/Ethnic Breakdown 1980-1990-2000-2006**

Race/ Ethnicity	1980	%	1990	%	2000	%	2006	%
White	85,470	57.1%	92,029	43.6%	105,446	43.3%	145,119	51.0%
Black	15,022	10.0%	19,118	9.1%	27,417	11.2%	32,299	11.4%
Hispanic or Latino	33,050	22.1%	52,653	25.0%	79,217*		106,268*	
Asian	13,631	9.1%	45,239	21.4%	48,506	19.9%	61,873	21.8%
Am. Indian	2,606	1.7%	1,463	0.7%	2,727	1.1%	1,909	0.7%
Other			441	0.2%	42,208	17.3%	29,261	10.3%
Pacific Islander					981	0.4%	1,827	0.6%
Two or more races					16,486	6.8%	12,130	4.3%
<b>Total</b>	<b>149,779</b>	<b>100%</b>	<b>210,943</b>	<b>100%</b>	<b>243,771</b>	<b>100%</b>	<b>284,418</b>	<b>100%</b>

Source: California Department of Finance, Demographic Research Unit, *2006 American Community Survey*

**IMPORTANT NOTE:** Questions on race and Hispanic origin were changed for Census 2000; therefore race data from 2000 and on are not directly comparable with data from 1990 and previous censuses. The federal government considers race and Hispanic origin to be two separate and distinct concepts. Starting with Census 2000, respondents were given the option of selecting one or more race categories to indicate their racial identities. Additionally, the Office of Management and Budget began requiring federal agencies to use a minimum of five race categories: "White", "Black or African American", "American Indian and Alaska Native", "Asian", "Native Hawaiian and Other Pacific Islander", and "Some other race." "Some other race" was included in Census 2000 for respondents who were unable to identify with the five Office of Management and Budget race categories. Respondents who provided write-in entries such as Moroccan, South African, Belizean, or a Hispanic origin (for example, Mexican, Puerto Rican, or Cuban) are included in the "Some other" race category.

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**PART TWO – FACTUAL DATA**

**POPULATION, HOUSING, AND INCOME DATA FOR THE CITY OF STOCKTON**  
**-Revised 03/12/09-**

Table 5: Population, Sex, and Age												
	1990				2000				2006			
	Pop.	Male	Female	65+	Pop.	Male	Female	65+	Pop.	Male	Female	65+
North Stockton	129,064	62,734	66,184	119,945								
South Stockton	140,558	71,539	69,008	18,131								
Metro	269,622	134,273	135,192	30,076	306,018	145,880	152,103	31,413				
Stockton	210,943	104,301	106,642	210,867	243,771	118,751	125,020	24,975	284,418	141,559	142,859	25,856
County	480,628	243,257	237,371	53,281	563,598	281,627	281,971	59,799	673,170	337,387	335,783	65,277

Source:

U.S. Census Bureau, 2006 American Community Survey

<b>Table 6: Family and Household Income</b>						
	1990		2000		2006	
	Family	Household	Family	Household	Family	Household
North Stockton	\$ 38,273.00	\$ 33,762.00				
South Stockton	\$ 25,685.00	\$ 22,044.00				
Metro	\$ 31,080.00	\$ 27,450.00	\$ 41,652.00	\$ 37,606.00		
Stockton	\$ 30,315.00	\$ 26,876.00	\$ 40,434.00	\$ 35,453.00	\$ 52,141.00	\$ 45,615.00
County	\$ 34,701.00	\$ 30,635.00	\$ 46,919.00	\$ 41,282.00	\$ 58,708.00	\$ 51,951.00

Source:

California Department of Finance, Demographic Research Unit

<b>Table 7: Median Home Value</b>			
	1990	2000	2006
North Stockton	\$ 131,760.00		
South Stockton	\$ 84,901.00		
Metro	\$ 107,903.00		
Stockton	\$ 106,700.00	\$ 119,500.00	\$ 384,000.00
County	\$ 120,500.00	\$ 142,400.00	\$ 427,000.00

Source:

California Department of Finance, Demographic Research Unit  
US Census, 2006 American Community Survey

<b>Table 8: CITY OF STOCKTON ANNEXATIONS - SQUARE MILES</b>								
Year	Change Square Miles	Total Square Miles	Year	Change Square Miles	Total Square Miles	Year	Change Square Miles	Total Square Miles
1850	1.5		1961	1.5	24.9	1985	0.2	44.2
1870	2.8	4.3	1962	0.2	25.1	1986	Slight	44.2
1914	3.7	8	1963	0.1	25.2	1987	Slight	44.2
1920	0.7	8.7	1964	0.3	25.5	1988	5.5	49.7
1924	0.5	9.2	1965	0.2	25.7	1989	4.4	54.1
1925	0.1	9.3	1966	1.5	27.2	1990	0.6	54.7
1931	0.8	10.1	1967	0.1	27.3	1991	0.4	55.1
1934	0.4	10.5	1968	1	28.3	1992	0.4	55.5
1945	0.1	10.6	1969	1.6	29.9	1993	None	55.5
1946	Slight	10.6	1970	0.1	30	1994	Slight	55.5
1947	0.8	11.4	1971	2.7	32.7	1995	Slight	55.5
1948	1	12.4	1972	0.2	32.9	1996	0.2	55.7
1949	0.1	12.5	1973	0.9	33.8	1997	0.2	55.9
1950	0.1	12.6	1974	0.5	34.3	1998	None	55.9
1951	0.3	12.9	1975	0.9	35.2	1999	0.6	56.5
1952	0.7	13.6	1976	0.8	36	2000	None	56.5
1953	2	15.6	1977	4.2	40.2	2001	0.35	56.85
1954	2.4	18	1978	0.5	40.7	2002	-0.25*	56.6
1955	2.4	20.4	1979	0.6	41.3	2003	0.91	57.51
1956	1.4	21.8	1980	1.3	42.6	2004	1.02	58.53
1957	0.3	22.1	1981	0.1	42.7	2005	1.86	60.39
1958	0.3	22.4	1982	0.1	42.8	2006	0.088	60.478
1959	0.6	23	1983	Slight	42.8	2007	0.018	60.496
1960	0.4	23.4	1984	1.2	44	2008	0.275	60.771

\* Austin Road Landfill Detachment (209 acres)

Source:

City of Stockton, Community Development Department, GIS

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**PART TWO – FACTUAL DATA****POPULATION, HOUSING, AND INCOME DATA FOR THE CITY OF STOCKTON**  
-Revised 12/04/08-

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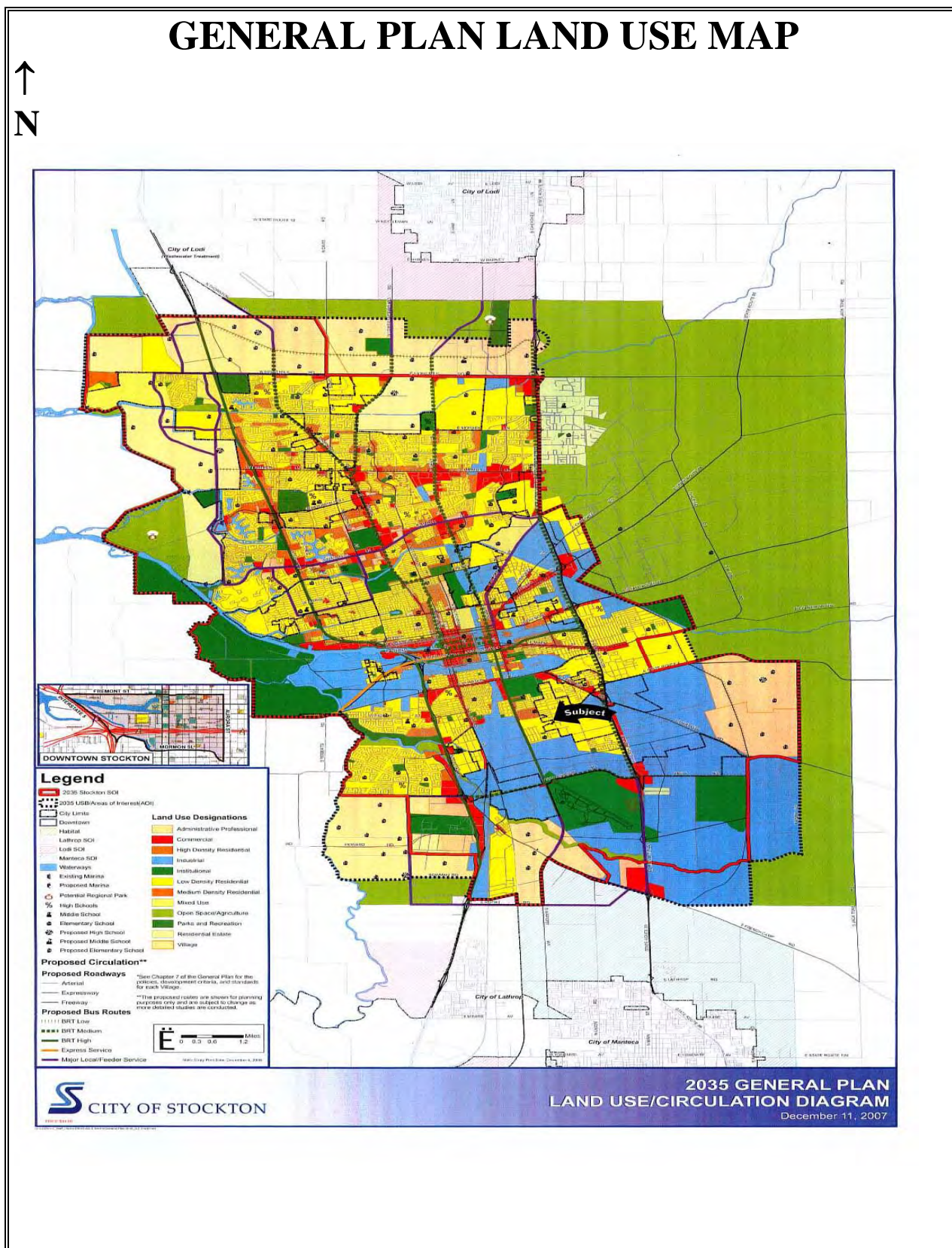
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\* Austin Road Landfill Detachment (209 acres)

Source:  
City of Stockton, Community Development Department, GIS

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PART TWO – FACTUAL DATA





**PART TWO – FACTUAL DATA****ZONING**

The property is located in the unincorporated area of San Joaquin County within the sphere of influence of the City of Stockton. Currently the subject property is zoned for residential uses.

**TAX AND ASSESSMENT DATA AND ANALYSIS**

In California, the law provides that real property is to be assessed at 100% of the property's assessed value. The following chart shows the assessed value and taxes for the subject property.

Real property taxation in the State of California is governed by Proposition 13 which was passed by the voters in June, 1978. The basic elements of Proposition 13 are as follows:

1. The tax rate was limited to 1% of the assessed value plus an additional ¼% to cover the payment of debts previously approved by voters.
2. The assessed value of a property purchased prior to March 1, 1975 was fixed at that property's market value as of March 1, 1975. For a property purchased after March 1, 1975, the law requires the assessment to be based on the market value at the time of sale.
3. All assessed values can increase no more than 2% per year for inflation and/or appreciation.

Proposition 13 negated the concept of equalization whereby similar properties have similar property tax liabilities. Since there may be variance in the amount of property taxes being paid by otherwise similar properties, the appraiser used the final value conclusion of this report.

**ESTIMATED 2009-2010 PROPERTY TAX AT APPRAISED VALUE**

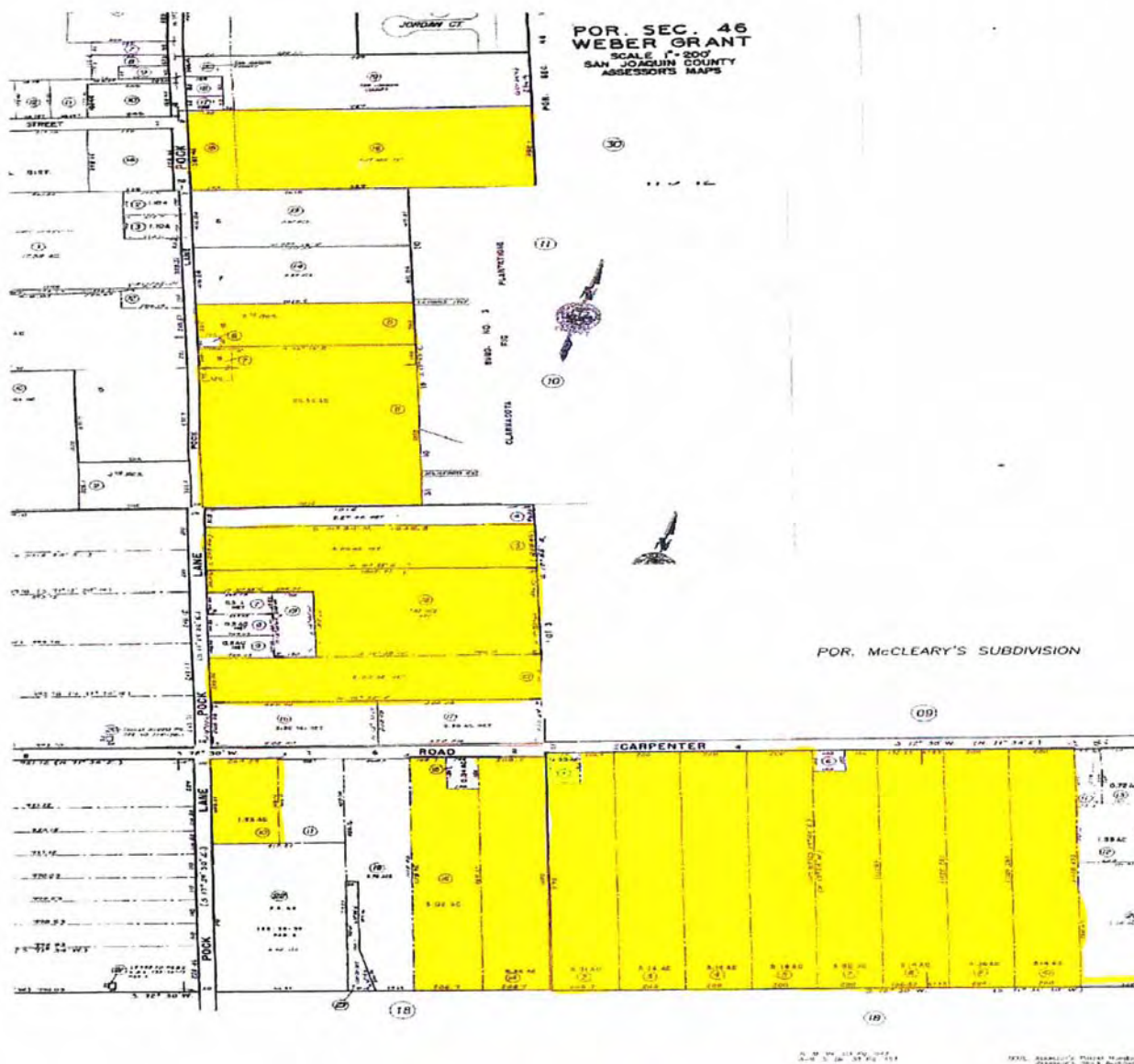
Estimated Value	\$9,450,000
X Tax Rate/100	1.107951
Assessed Taxes	\$102,014
Special Assessments	Included
<b>TOTAL ESTIMATED PROPERTY TAXES</b>	<b>\$102,014</b>

The tax rate for 2009-2010 fiscal year is considered typical for comparable locations throughout the subject district and San Joaquin County.

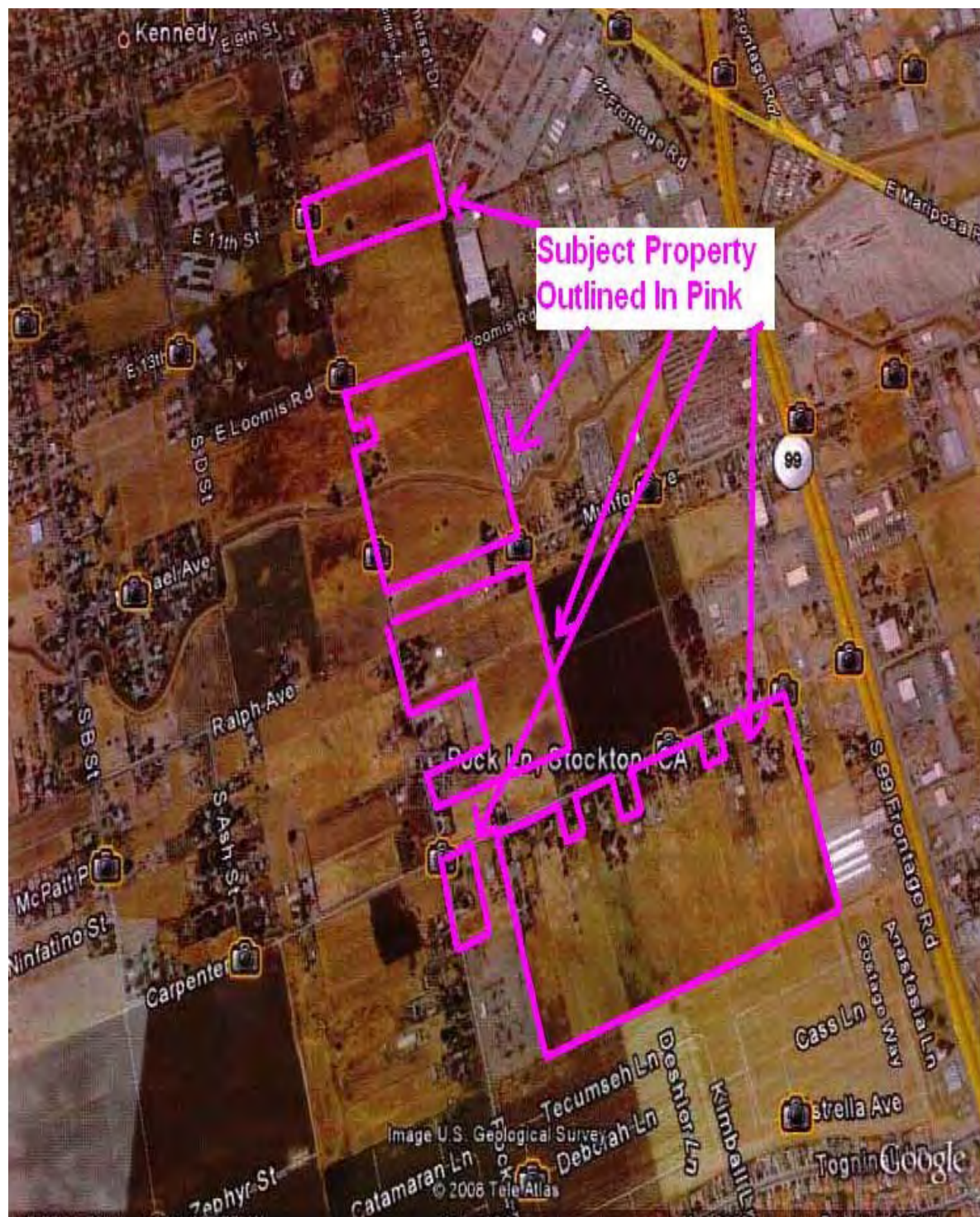
PART TWO – FACTUAL DATA

**PLAT MAP**  
**115.27 +/- Acres TOTAL**

↑  
N



↑  
N





**PART TWO – FACTUAL DATA**

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**SITE DATA –continued**

<b>Location:</b>	Pock Lane & Carpenter Road, San Joaquin County, CA 95215
<b>Identification:</b>	See Addendum
<b>Census Tract Number:</b>	0028.00
<b>Assessment District:</b>	Yes, does not impact value
<b>Shape:</b>	Approximately 20 parcels totaling 115.27 +/- Acres (Non-contiguous)
<b>Access:</b>	Pock Lane & Carpenter Road
<b>Site Size:</b>	115.27 +/- Acres
<b>Visibility:</b>	The subject property has good visibility from Pock Lane and Carpenter Road
<b>Zoning:</b>	
<ul style="list-style-type: none"><li>• <b>General Plan</b></li><li>• <b>Specific Plan</b></li></ul>	Residential Medium Density Residential
<b>Support Facilities:</b>	Average
<b>Topography:</b>	Mostly level
<b>Surface Drainage:</b>	Appears adequate
<b>Soils:</b>	A soil analysis for the site has not been provided for the preparation of this appraisal. In the absence of a soil report, it is a specific assumption that the site has adequate soils to support the highest and best use.
<b>Subsoil Conditions:</b>	It is assumed that there are no hidden or unapparent conditions to the property, soil, or subsoil, which would render them more or less valuable. Subsurface oil, gas or mineral rights were not considered in this report unless otherwise stated.
<b>Archeological Site:</b>	No visual evidence of archaeological significance. (See Scope and Extent of Data Collection Process in page 12 of this report.)
<b>Wetland Area:</b>	No

**PART TWO – FACTUAL DATA**

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**SITE DATA – continued**

<b>Liquefaction Hazard:</b>	No, according to San Joaquin County comprehensive General Plan Seismic – Geologic Map, revised 2003
<b>Wildlife:</b>	The subject is not located within the multi-species habitat conservation area.
<b>Noise:</b>	None noted during the site visit
<b>Elevation Variation (All Parcels):</b>	The subject property is level to street grade
<b>Easements:</b>	The subject property is being appraised assuming that there are no easements or encroachments that negatively affect the value of the property.
<b>Street Improvements:</b>	Pock Lane and Carpenter Road are two lane paved roads with no curbs or gutters along the subject's street frontage.
<b>Airport Sphere of Influence:</b>	No
<b>Utilities:</b>	Appear to be available to the site, but are not warranted, and capacities are unknown.
<b>Current Improvements :</b>	Miscellaneous older single family dwellings (No contributory value)
<b>Off Sites:</b>	Utilities appear to be available to the site.
<b>Adjacent Uses:</b>	
<b>North:</b>	Industrial Land and Industrial Development
<b>West:</b>	Elementary School and Single Family Residential Development
<b>South:</b>	Single Family Residential Development and Vacant Land
<b>East:</b>	Industrial Land and Industrial Development
<b>Containment in Floodplain:</b>	The subject is located in area shown as Flood Zone C Panel 0465C; Community 060299 located in multiple flood zones defined as follows: "Areas outside of 100 year and 500 year flooding.", areas inundated with 500 year flooding and floodway areas along Duck Creek.
<b>Unit of Comparison:</b>	Price per acre; price per paper lot
<b>Relationship to and conformity with surroundings:</b>	Good
<b>Functional adequacy:</b>	Good

**PART TWO – FACTUAL DATA**

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**SITE DATA – continued**

<b>Allowable Uses in the District:</b>	Residential, Commercial, Industrial
<b>Major Flaws in the Sites:</b>	Flood zone area along Duck Creek (must be mitigated for residential development)
<b>Environmental:</b>	It is assumed that there are no potentially hazardous materials (i.e. toxic waste) resulting from past use of the property, construction or maintenance of any buildings. Such a condition may or may not be present. The appraiser is not qualified to detect such substances. Therefore, if desired, the client should retain an expert in the field.
<b>Comments:</b>	The physical and functional characteristics of the subject meet the desires and standards of typical purchasers in the market. Overall the site has a good location compared to competing sites in the market.

## HIGHEST AND BEST USE ANALYSIS

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Highest and best use is defined as “that reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal.” Alternatively, that use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

“The definition immediately above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use...” “Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser’s judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.”<sup>1</sup>

### A. HIGHEST AND BEST USE ANALYSIS (“As Is - Unentitled”)

#### 1. Legally Permissible:

The subject property is located in the unincorporated area of San Joaquin County within the City of Stockton sphere of influence. The City of Stockton’s general plan use for the subject property is for residential uses. The according to the City of Stockton planning department, the city is in favor of annexing the subject as long as the subject is adjacent to properties already annexed into the city. Some of the legally permissible uses include medium density single family residential development.

#### 2. Physically Possible:

The Site Data and Improvement Data sections of this report displayed detailed characteristics of the site. The subject consists of 20 rectangular parcels totaling 115.27 +/- Acres which are not contiguous. The total size of the subject property is conducive for residential development. However, do to the fact that the subject is non-contiguous, the design of a residential development would be somewhat limited. The above legally permissible use would also be physically possible.

#### 3. Financially Feasible:

The Regional/City and Neighborhood Sections earlier in this report discussed current and expected supply and demand for vacant parcels in the region and the immediate vicinity of the subject property. The current market for vacant land is decreasing and may continue to decrease for the next 12 to 18 months. The above mentioned legally permissible and physically possible uses would also be financially feasible in the future.

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<sup>1</sup> Byrl N. Boyce, Ed., Real Estate Appraisal Terminology (Cambridge, Mass: Ballinger Publishing Company, 1981), pp. 126-127.

## HIGHEST AND BEST USE ANALYSIS

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### C. HIGHEST AND BEST USE ANALYSIS (As Is - Unentitled)

#### 4. Maximally Productive:

In the final analysis, a determination must be made as to which physically possible and legally permissible use would produce a financially feasible use that generates the highest net return on the land for the longest period of time. An analysis of every possible use for the subject property that might be approved by local government during the site specific planning is beyond the scope of this report.

The subject site is in the path of development located south of the City of Stockton within the city's sphere of influence. Current market conditions indicate that immediate development of the subject property at the present time is economically infeasible. Consequently, the maximally productive use of the subject property is to hold for future development.

#### 5. Conclusion:

The reader will note that the current Bulk or Wholesale Market Value with a four year hold \$25,642,000 is less than the current Cost of Production \$30,628,000 making economically infeasible to immediately develop the subject property at the present time. Therefore, it was determined that the highest and best use for the subject property "as is" is to hold for future residential development (approximately 4 years).

### B. THE IDEAL IMPROVEMENT

The ideal improvement would be residential development that is designed to take advantage of the physical characteristics of the subject property while conforming to the zoning and density requirements within the City of Stockton.

### C. HIGHEST AND BEST USE ANALYSIS ("As Proposed")

#### 1. Legally Permissible:

The subject property is located in the unincorporated area of San Joaquin County within the City of Stockton sphere of influence. The City of Stockton's general plan use for the subject property is for residential uses. The according to the City of Stockton planning department, the city is in favor of annexing the subject as long as the subject is adjacent to properties already annexed into the city. Some of the legally permissible uses include medium density single family residential development.

#### 2. Physically Possible:

The Site Data and Improvement Data sections of this report displayed detailed characteristics of the site. The subject consists of 20 rectangular parcels totaling 115.27 +/- Acres which are not contiguous. The total size of the subject property is conducive for residential development. However, do to the fact that the subject is non-contiguous, the design of a residential development would be somewhat limited. The above legally permissible use would also be physically possible.

## HIGHEST AND BEST USE ANALYSIS

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### C. HIGHEST AND BEST USE ANALYSIS (As Proposed)

#### 3. Financially Feasible:

The Regional/City and Neighborhood Sections earlier in this report discussed current and expected supply and demand for vacant parcels in the region and the immediate vicinity of the subject property. The current market for vacant land is decreasing and may continue to decrease for the next 12 to 18 months. The above mentioned legally permissible and physically possible uses would also be financially feasible in the future.

#### 4. Maximally Productive:

In the final analysis, a determination must be made as to which physically possible and legally permissible use would produce a financially feasible use that generates the highest net return on the land for the longest period of time. An analysis of every possible use for the subject property that might be approved by local government during the site specific planning is beyond the scope of this report.

The subject site is in the path of development located south of the City of Stockton within the city's sphere of influence. Current market conditions indicate that immediate development of the subject property at the present time is economically infeasible. Consequently, the maximally productive use of the subject property is to hold for future development.

The reader will note that the "Prospective Bulk or Wholesale Market Value" \$40,453,000 of the subject property without the four year holding period is greater than the prospective cost of production \$35,368,000 proving that the highest and best use for the subject is to hold the property for 4 years and then develop a single family residential development when the market is back in balance and absorption rates and price points allow the developer to recapture all of the agents of production (land, labor, capital and entrepreneurial profit).

#### 5. Conclusion:

It was determined that the highest and best use for the subject property "as proposed" is hold the property for near term development (approximately 3-4 years) and then develop as a single family residential subdivision with price points in the \$300,000 to \$350,000 range.

## **APPRAISAL METHODOLOGY**

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### **APPRAISAL METHODOLOGY**

Every real property is different and there are many types of value that can be estimated for any real property. For this appraisal assignment, the appraiser is estimating the market value of the subject property as of December 31, 2009. The definition of Market Value has been defined in the Purpose of the Appraisal section of this report. The subject property and type of value desired have been identified and so the appraisal problem has been defined.

In the appraisal process, it is my intention to present a properly supported value conclusion for the subject property. The market data, analysis, and conclusions presented in the report guide a reader in reaching a similar value conclusion as the appraiser.

In the LAND VALUE SECTION of an appraisal report, market data and other information pertaining to land value are presented along with an analysis of the data and reasoning that lead to the land value estimate. The factors that affect land value should be presented in a clear and precise manner. The narrative should lead the reader to the land value estimate.

Depending on a specific appraisal assignment, any of the following six methods may be used to value land.

1. Sales Comparison
2. Allocation
3. Extraction
4. Subdivision Development
5. Land Residual
6. Ground Rent Capitalization

In the COST APPROACH, an estimated reproduction or replacement cost of the building and land improvements "as if completed" as of the date of the appraisal is developed, together with an estimate of the losses in value that have taken place due to design and plan on neighborhood influences. To the depreciated building cost estimate, entrepreneurial profit and the estimated value of the land are added. The total represents the value indicated by the cost approach.

In the SALES COMPARISON APPROACH, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties are used and comparisons are made to demonstrate a probable price at which the subject property would be sold if offered on the market.

In the INCOME CAPITALIZATION APPROACH, the "as if complete" rental income to the property is shown with deductions for vacancy and collection loss and expenses. The prospective net operation income of the property is estimated. To support this estimate, comparable properties may be reviewed along with available operation cost estimates. An applicable capitalization method and appropriate capitalization rates are developed and used in computations that leads to value indications.

## **APPRAISAL METHODOLOGY**

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### **APPRAISAL METHODOLOGY (continued)**

In the LAND RESIDUAL METHOD of land valuation is simply an extension of the previously indicated approaches and feasibility. Subtracting the hard and soft costs of development, as well as the developer's profit, from the present value of the future benefits indicates a residual to raw vacant land. The Land Residual Method is a good check of the results from previous value approaches.

1. The Sales Comparison Approach will be used to estimate the "as is" Market Value (Fee Simple) of the subject property.
2. The Land Residual Technique will be used as a check for the value results from the Sales Comparison Approach.
3. Cost of production and Discounted Cash Flow analyses were performed to determine economic feasibility. The sales comparison approach was used to determine the aggregate retail value of the finished lots.
4. The value from the "As Is" Sales Comparison Technique and the "As Is" Discounted Cash Flow Analysis of the land residual techniques will be reconciled into a final indication of value.



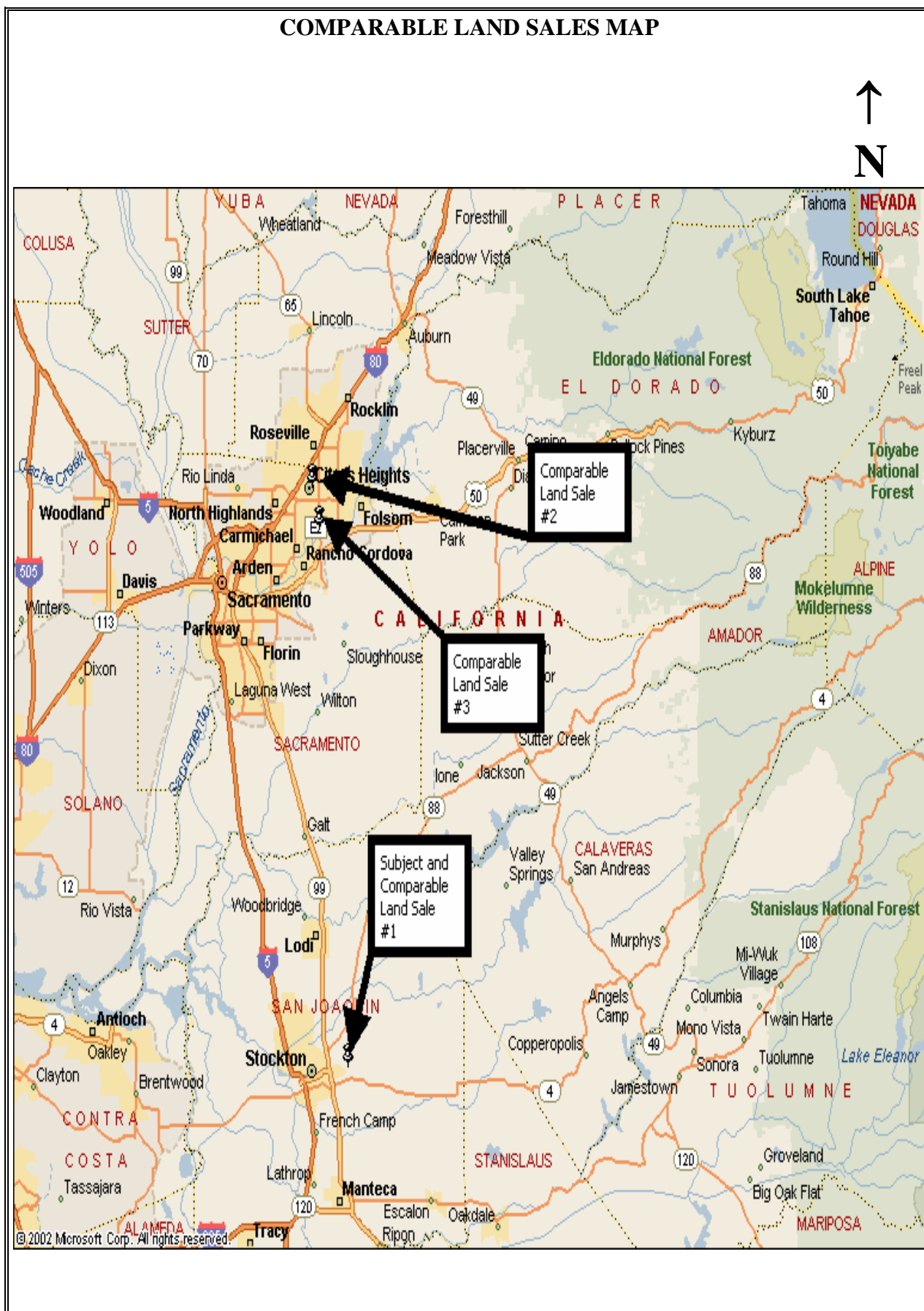
## **SALES COMPARISON APPROACH**

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### **I. Sales Comparison Approach:**

I have searched the market for similar land sales and listings in the subject's district and have specifically researched those areas near the subject property. Special emphasis was given to sales that were considered competitive with the subject property. I have judged that the following sales will offer objective support for the value of the subject property.

Following is the physical data of these sales along with the comparison grid and the appraiser's analysis of adjustments made in the grid.



<b>LAND SALE COMPARISON #1</b>
--------------------------------

<b>Location:</b>	Pock Lane, City of Stockton Sphere of Influence
<b>Identification:</b>	Assessor's Parcel Numbers: 179-120-08 San Joaquine County, California.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	4/11/07
<b>Documentation:</b>	Instrument No708591 Official Records, San Joaquin County, California.
<b>Buyer:</b>	SAC II
<b>Seller:</b>	Sylvester Miller
<b>Sale Price:</b>	\$2,385,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$2,385,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	25.55 Gross Acres
<b>Access:</b>	Average
<b>Visibility:</b>	Average
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Residential, City of Stockton Sphere of Influence
<b>Price Per Acre:</b>	\$93,346/Acre - \$13,324/Paper Lot

<b>LAND SALE COMPARISON #1 CONT'D.</b>
----------------------------------------

**Present Use at Time  
of Sale:**

Residential Land

**Highest and Best Use:**

Hold for future development

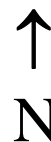
**Verification:**

Win2Data, San Joaquin County Records

**Comments:**

This property is a 25.5 Acre portion of the subject property. It was vacant land at the time of the sale.

# COMPARABLE LAND SALE #1 PARCEL MAP



HEWLETT TRACT

SCALE 1"=300'

SAN JOAQUIN COUNTY  
ASSESSOR'S MAPS

NOV 11

HEWLETT TRACT

<b>LAND SALE COMPARISON #2</b>
--------------------------------

<b>Location:</b>	7108 Antelope Road, Citrus Heights, CA
<b>Identification:</b>	Assessor's Parcel Numbers: 204-0193-062 & 063 San Joaquin County, California.
<b>Thomas Map Guide:</b>	N/A
<b>Date of Sale:</b>	4/13/07
<b>Documentation:</b>	Instrument No. 70413-1038 Official Records, Sacramento County, California.
<b>Buyer:</b>	Truxel Properties, LLC
<b>Seller:</b>	GSJ CO, LLC
<b>Sale Price:</b>	\$4,500,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$4,500,000
<b>Conditions of Sale:</b>	Arms Length
<b>Market Conditions:</b>	Stable
<b>Site Size:</b>	9.2 Acres
<b>Access:</b>	Average
<b>Visibility:</b>	Average
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	Public utilities appear to be available to the site
<b>Zoning:</b>	Residential
<b>Price Per Acre:</b>	\$489,130/Acre - \$62,500/Paper Lot

<b>LAND SALE COMPARISON #2 CONT'D.</b>
----------------------------------------

**Present Use at Time  
of Sale:**

Residential Land

**Highest and Best Use:**

Hold for Residential development

**Verification:**

Win2Data, San Joaquin County Records

**Comments:**

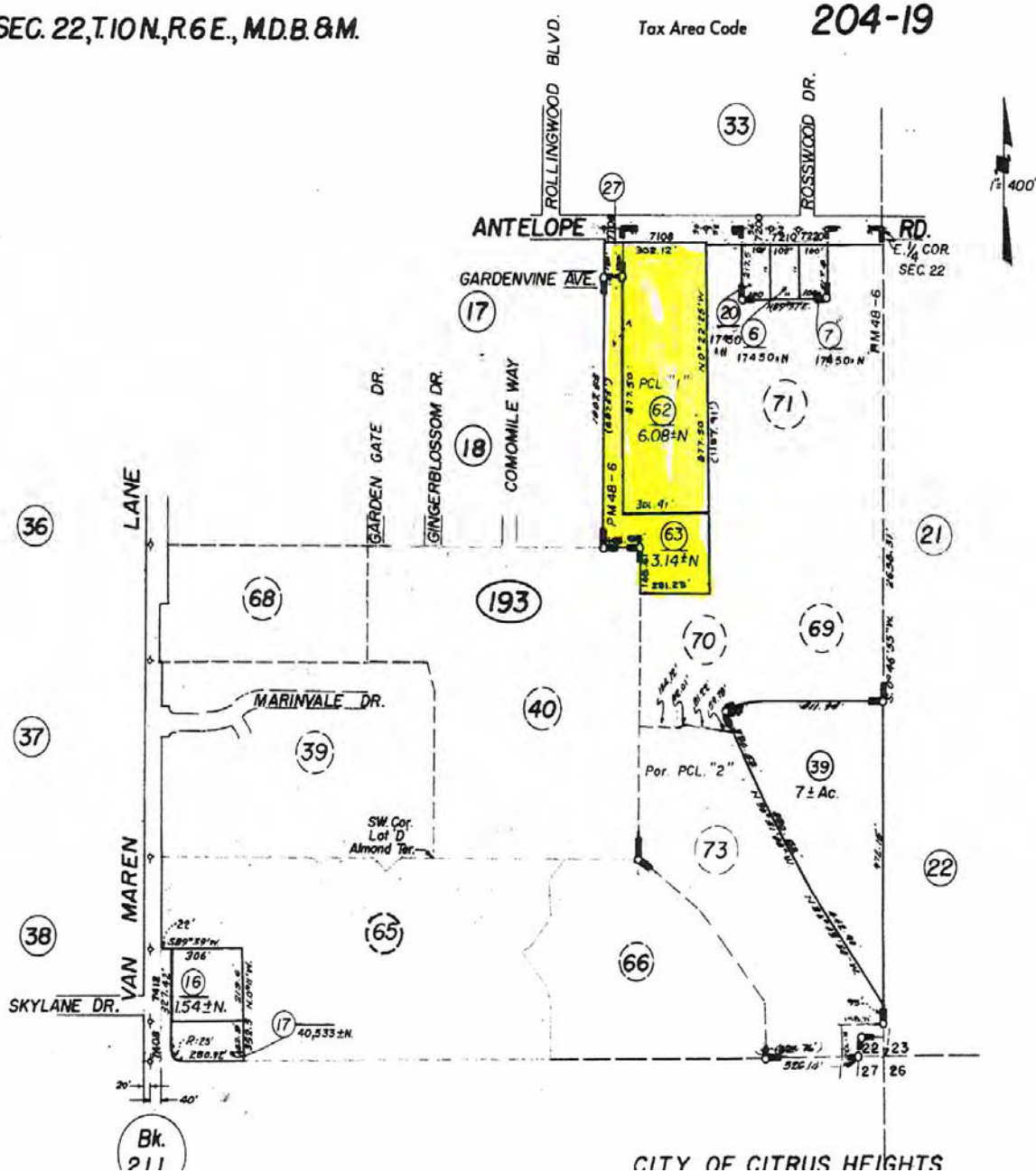
This property is located to northeast of the subject property in the unincorporated area of Sacramento County known as Citrus Heights.

## COMPARABLE LAND SALE #2 PARCEL MAP

DR. SEC. 22, T. 10 N., R. 6 E., M.D.B. & M.

Tax Area Code

204-19



CITY OF CITRUS HEIGHTS



<b>LAND SALE COMPARISON #3</b>

<b>Location:</b>	Codman Lane, Sacramento County
<b>Identification:</b>	Assessor's Parcel Number: 233-0281-014 Sacramento County., California.
<b>Thomas Map Guide:</b>	N/A.
<b>Date of Sale:</b>	10/19/09
<b>Documentation:</b>	Grant Deed recorded as Instrument 91023-347 in Official Records, Sacramento County, California.
<b>Buyer:</b>	Siva Yerramilli
<b>Seller:</b>	American River
<b>Sale Price:</b>	\$835,000
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Cash
<b>Cash Equivalency:</b>	\$835,000
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Unstable
<b>Site Size:</b>	5.40 Acres Gross
<b>Access:</b>	Good
<b>Topography:</b>	Mostly Level
<b>Building Improvements:</b>	None
<b>Utilities:</b>	No
<b>Zoning:</b>	Residential

<b>Unit Price Per Acre:</b> \$154,629/Acre - \$33,400/Paper Lot
-----------------------------------------------------------------

<b>LAND SALE COMPARISON #3 CONT'D.</b>
----------------------------------------

**Present Use at Time  
of Sale:**

Residential Land

**Highest and Best Use:**

Hold For Development.

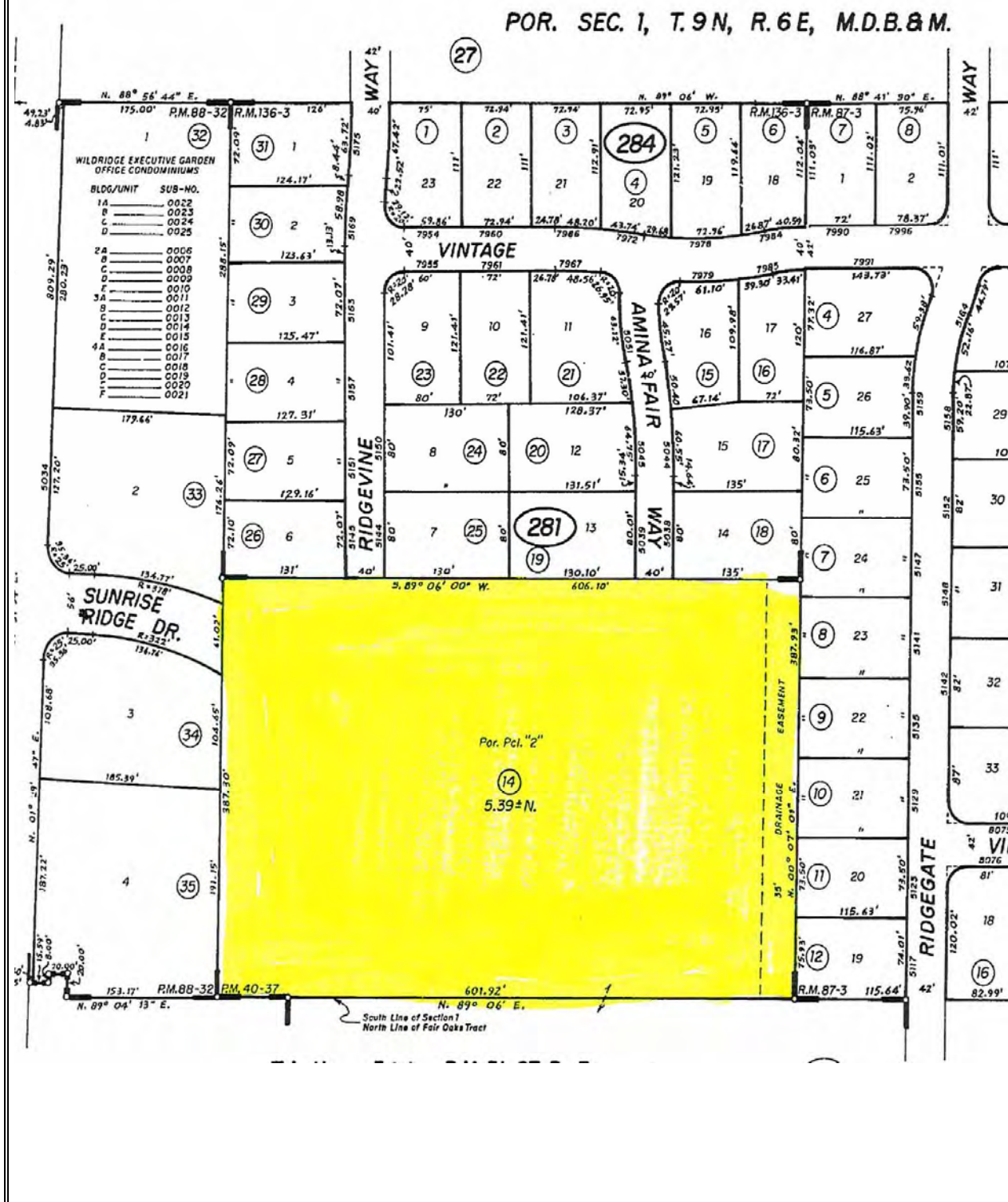
**Verification:**

Sacramento County Records; Win2Data; Broker

**Comments:**

This property is located northeast of the subject property and has a similar location.

## COMPARABLE LAND SALE #3 PARCEL MAP



**COMPARABLE LAND SALES GRID PARCEL**  
**(115.27 +/- Acres – Unentitled)**

SALE #	SUBJECT	SALE #1		SALE #2		SALE #3	
LOCATION	Pock Lane & Carpenter Road Stockton	Carpenter Road Stockton		7108 Antelope Road Citrus Heights		Codman Lane Fair Oaks	
Date of Sale	12/31/09	4/11/07		4/13/07		10/19/09	
Sale Price	\$9,284,154	\$2,385,000		\$835,000		\$2,385,000	
Parcel Size (Acre)	115.27 +/- Acres	25.55 Acres		9.2 Acres		5.4 Acres	
# of Paper Lots	863	179		72		36	
Price/Acre	\$80,543	\$93,346		\$489,130		\$154,630	
Price Per Paper Lot	\$10,758	\$13,324		\$62,500		\$23,194	
CHARACTERISTICS							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Conventional	Conventional		Conventional		Conventional	
Condition of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Market Conditions	Unstable	Stable	(15%)	Stable	(15%)	Unstable	-0-
Adjusted Price/Paper Lot	\$10,758	\$11,352		\$56,250		\$23,194	
PHYSICAL COMPARISONS							
Location	Average	Similar	-0-	Superior	(22,965)	Similar	-0-
Size	115.27 +/- Acres	25.55 Acres	(1,133)	9.2 Acres	(5,625)	5.4 Acres	(2,319)
Shape	Rectangular – Non-Contiguous	Rectangular	(567)	Rectangular	(2,813)	Rectangular	(1,160)
Off-Site Improvements/Utilities	Yes	Similar	-0-	Similar	-0-	Similar	-0-
Zoning/Density	Residential/7du per acre	Similar	-0-	Similar	-0-	Similar	-0-
View	Average	Similar	-0-	Superior	(8,438)	Similar	-0-
Highest & Best Use	Hold for Future Development (3 to 4 Years)	Similar	-0-	Similar	-0-	Similar	-0-
Access/Visibility	Average	Slightly Inferior	+1,133	Slightly Inferior	+5,625	Slightly Inferior	+2,319
Entitlements	None	Similar	-0-	Similar	-0-	Similar	-0-
Neighborhood Reputation	Average	Similar	-0-	Superior	(11,276)	Superior	(11,276)
ADJUSTMENTS							
Size	(10%)	10,192		50,625		20,875	
Shape	(5%)	9,625		47,812		19,715	
Access	+10%	10,758		50,625		22,034	
Neighborhood Reputation 2 & 3	(11,276)	10,758		39,349		10,758	
Location	(22,965)	10,758		10,758		10,758	
Net Adjustments		(567)		(45,492)		(12,436)	
Adjusted Unit Price	\$10,758	\$10,758		\$10,758		\$10,758	
Reliability (1-10)		8		8		8	
Contribution (%)		0.3333		0.3333		0.3333	
Contribution (\$)	\$10,758	\$3,586		\$3,586		\$3,596	

**SALES COMPARISON APPROACH (continued)****I. Comparable Land Sales Analysis –(continued)**

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales is required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

**1. Property Rights, Financing Terms and Conditions of Sale:**

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

**2. Time and Market Conditions:**

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of decreasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value.

The subject property is being appraised during unstable market conditions. Comparable Sales #1 & #2 were sold during stable market conditions. Therefore, a downward adjustment of 15% per paper lot was made to Comparable Land Sales #1 & #2.

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426



**SALES COMPARISON APPROACH (continued)**

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**I. Comparable Land Sales Analysis –(continued)**

**3. Size Adjustment:**

All three Comparable Land Sales are smaller than the subject property. Therefore, a downward Adjustment of 10% per paper lot was made to all three Comparable Land Sales.

**4. Shape Adjustment:**

The subject property is rectangular in shape but the parcels are non-contiguous. All three Comparable Land Sales are contiguous. Therefore, a downward adjustment of 5% per paper lot was made to all three Comparable Land Sales.

**5. View Adjustment:**

Comparable Land Sale #2 has a superior view when compare to the subject property. Therefore, a downward adjustment of 15% per paper lot was made to Comparable Sale #2.

**6. Access Adjustment:**

All three Comparable Land Sales have inferior access when compared to the subject property. Therefore, an upward adjustment of 10% per paper lot was made to all three Comparable Land Sales.

**7. Neighborhood Reputation Adjustment:**

A matched pair was found between Comparable Land Sale #1 & #3. They are exactly alike except Comparable Land Sale #3 has a superior neighborhood reputation. Comparable Land Sale #2 also has a superior neighborhood reputation. Therefore, a downward adjustment of \$11,276 per paper lot was made to Comparable Land Sale #2 & #3.

**8. Location Adjustment:**

A matched pair was found between Comparable Land Sale #2 & #3. They are exactly alike except Comparable Land Sale #2 has a superior location. Therefore, a downward adjustment of \$22,965 per paper lot was made to Comparable Land Sale #2.

**8. Off-site Improvements Adjustment:**

All three Comparable Land Sales have similar off-site improvements when compared to the subject. Therefore, no adjustments were made.

**9. Zoning Adjustment:**

All three Comparable Land Sales have similar zoning when compared to the subject. Therefore, no adjustments were made.

**10. Highest and Best Use Adjustment:**

All three Comparable Land Sales have similar Highest and Best Uses. Therefore, no adjustments were made.

**SALES COMPARISON APPROACH (continued)****Vacant Land Conclusion for 115.27 +/- Acres**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range in value of \$10,758 per paper lot with an adjusted price per lot of \$10,758 for the subject property.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per acre indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per acre value for the subject site. The market value indication of the site can therefore, be calculated as follows:

$$\begin{array}{rcl} \text{863 Paper Lots (115.27 +/- Acres)} & \times & \$10,758/\text{Paper Lot} (\$80,541/\text{acre}) = \$ 9,284,154 \\ \text{Rounded} & & \$ 9,284,000 \end{array}$$

**(NINE MILLION TWO HUNDRED EIGHTY FOUR THOUSAND DOLLARS)**

**CURRENT LISTINGS UNADJUSTED**

<b>LOCATION</b>	<b>SIZE</b>	<b>LIST PRICE</b>	<b>PRICE PER ACRE</b>
<b>River Road Ripton, CA</b>	<b>19.25 Acres</b>	<b>\$2,021,250</b>	<b>\$105,000</b>
<b>Old Oak Drive Stockton</b>	<b>7.23 Acres</b>	<b>\$1,377,000</b>	<b>\$190,456</b>
<b>Valpico Road Tracey</b>	<b>14.45 Acres</b>	<b>\$2,900,000</b>	<b>\$200,692</b>

## LAND RESIDUAL TECHNIQUE - COST OF PRODUCTION

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### II. Land Residual Technique ( Fee Simple - Unentitled)

#### A. Cost of Production Analysis ( Finished Residential Lots Status)

Production cost is the cost of construction at current prices of an exact duplicate, or replica, using the same materials, construction standards design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the proposed subject super pad improvements. In the analysis of the cost to develop subdivision super pads (as if complete and ready for sale), the following have been recognized:

##### 1. The “as is” market value of the land by Direct Sales Comparison (Entitled).

##### 2. Construction Costs:

- a. Hard costs: Direct development costs associated with labor and materials of construction of streets, utilities (on and off site) and any other physical improvements.
- b. Soft costs: Indirect development costs associated with non-construction items such as land planning, engineering, marketing, municipal fees, appraisal, financing fees, interest and other entitlement costs.

##### 3. Developer’s Profit: That profit level necessary to induce a typical developer to undertake the necessary approval, planning and construction to the point of completion of the super pad subdivision of a given type.

##### 4. Cost Data Source:

Typical developer’s cost estimates, as determined by local contractor bids and developer quotes and are utilized with reference to the “Marshall Valuation Service”, published by Marshall and Swift Publication Company, is a nationally recognized cost estimating company located in Los Angeles, California. The costs calculated by this method represent a typical bidding target range. These costs are updated regularly to reflect changes and differences in construction costs by class of construction and location. This method estimates direct and indirect costs associated with construction development as noted below.

The cost of replacing a property is generally estimated on a square foot basis. The value of the land is then added to the replacement cost estimate. **This cost estimate includes the average architect’s and engineers fees, including plans, plan check, building permits and survey to establish building lines and grades; also, normal interest on building funds during the period of construction and processing fees or service charges are included as well as sales tax on materials, normal site preparation, including excavation for foundation and back-fill, as well as, utilities from structure to lot line are figured for typical set-backs. The contractor’s overhead and profit, including job supervision, workmen’s compensation, fire and liability insurance, unemployment insurance and so forth are all included.**

All other hard and soft costs to develop the land from its “as is” status will be taken into consideration in the cost of production. Additional costs, not included in the Valuation Service, such as entrepreneurial profit, are estimated and are being included as additional indirect costs.”

##### 5. Improvement Valuation

The developer’s cost estimates will be utilized to develop the cost of production cost estimate as cross-referenced by “The Marshall Valuation Service.”

**LAND RESIDUAL TECHNIQUE - COST OF PRODUCTION****II. Land Residual Technique (Fee Simple – continued)****A. Cost of Production Analysis Calculations for 863 Finished residential lots****Developer's Cost of Production Analysis (To Completion but Prior to Sell Off)**

<b>Hard Cost</b>		<b>Subtotal</b>	<b>Total</b>
• <b>Off-Site Street Improvements</b>	<b>Included</b>		
• <b>On-Site</b> (cost to produce 863 Residential Lots)	<b>\$17,260,000</b>		
<b>Subtotal On-Site Costs</b>	\$17,260,000		
<b>Total of Hard Costs</b>		<b>\$17,260,000</b>	
<b>Soft Costs</b>	<u>\$1,300,000</u>		
<b>Total Soft Cost</b>	\$1,300,000	<b>\$1,300,000</b>	
<b>Total Hard &amp; Soft Costs</b>			<b>\$18,560,000</b>
Developer's Incentive (10% of Hard and Soft Costs)		<b>\$1,856,000</b>	
<b>Total Development Costs</b>			<b>\$20,416,000</b>
Plus: Land Value (115.27 +/- Acres without entitlements)	\$9,284,000*		
Plus: Developer's Incentive (10% of Land Value)	\$928,400		
Market Value Indication Via Cost of Production to Finished Lot Status			\$30,628,400
<b>Rounded Bulk or Wholesale Value Indication for 863 Finished Lots (Rounded)</b>			<b>\$30,628,000</b>

It is concluded that the wholesale or bulk market value indication by the cost approach of the subject's 863 Finished Lots "as if complete" is as follows:

<b>TOTAL WHOLESALE OR BULK VALUE BY COST</b>	<b>\$30,628,400</b>
<b>TOTAL VALUE INDICATION FOR THE SUBJECT'S 863 FINISHED LOTS IF SOLD TO A SINGLE BUYER (Rounded)</b>	<b>\$30,628,000</b>

**\*The prospective cost of production as of 12/31/2013 is estimated at \$35,368,000. The difference between the current cost of production and the prospective cost of production is due to a mark-up of the land during the 4 year holding period.**

**LAND RESIDUAL TECHNIQUE – AGGREGATE RETAIL ANALYSIS**

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**II. Land Residual Technique (Fee Simple – continued)****A. Retail Value of Individual Residential Lots and using the Sales Comparison Technique and the Land Residual Technique for the finished residential lots (As of 12/31/2013)**

The “As If Complete” Market Value of the vacant land will be estimated by comparison of similar sales in the local market area. The Sales Comparison Approach is a method estimating market value, where the subject property is compared with similar type properties that have recently sold. It is based on the economic principle that a prudent purchaser will not pay more for a property than the price of an equally desirable subject property would bring in the open market at that approximate point in time. Essentially, the sales comparison approach is a systematic procedure for carrying out comparative shopping. The premise is that the market will determine the price for the property being appraised in the same manner it determines the price of comparable competitive properties. Founded on the principle of substitution, this approach depends on detailed analysis of recent sales, current listing, purchase options, and offers to purchase as indicators of market attitudes concerning the ability of similar properties to satisfy anticipated objectives. Preferably all comparable sales are in the same or similar areas.

In using the Sales Comparison Approach, an attempt is made to simulate the price each comparable property would sell for on the date of the subject appraisal if it were identical to the subject property. Since no two properties are identical, this simulation normally requires sufficient market analysis to discern variances between the properties and the magnitude of adjustments to be made of dissimilarities. The subject and specific comparable properties are then compared with percentage adjustments made for differences. Adjustments are typically necessary for the passage of time, as well as, for differences in physical, functional, or locational characteristics. The outcome on value of these differences is discussed in the analysis portion of this approach.

To apply the Sales Comparison Approach, an appraiser follows a systematic procedure:

1. Research the market to obtain information on sales transactions, listing and offerings to purchase properties similar to the subject.
2. Verify the information by confirming that the data obtained is factually accurate and that the transactions reflect arms length market consideration.
3. Select relevant units of comparison (e.g., dollars per acre, per square foot, or per multiplier) and develop a comparative analysis for each unit.
4. Compare the subject property and comparable sale properties using the elements of comparison and adjust the sale price of each comparable appropriately or eliminate the property as a comparable.
5. Reconcile the various value indications produced from the analysis of comparables into a single value indication or a range of values. An imprecise market may indicate a range of values.

The units of comparison for sales of Super Pads are the price per square foot. Interviews with various brokers and realtors during the search for comparable sales and listings confirmed the utilization of these factors.



Stockton

Subject Property

Comparable Lot Sale #1, #2 & #3

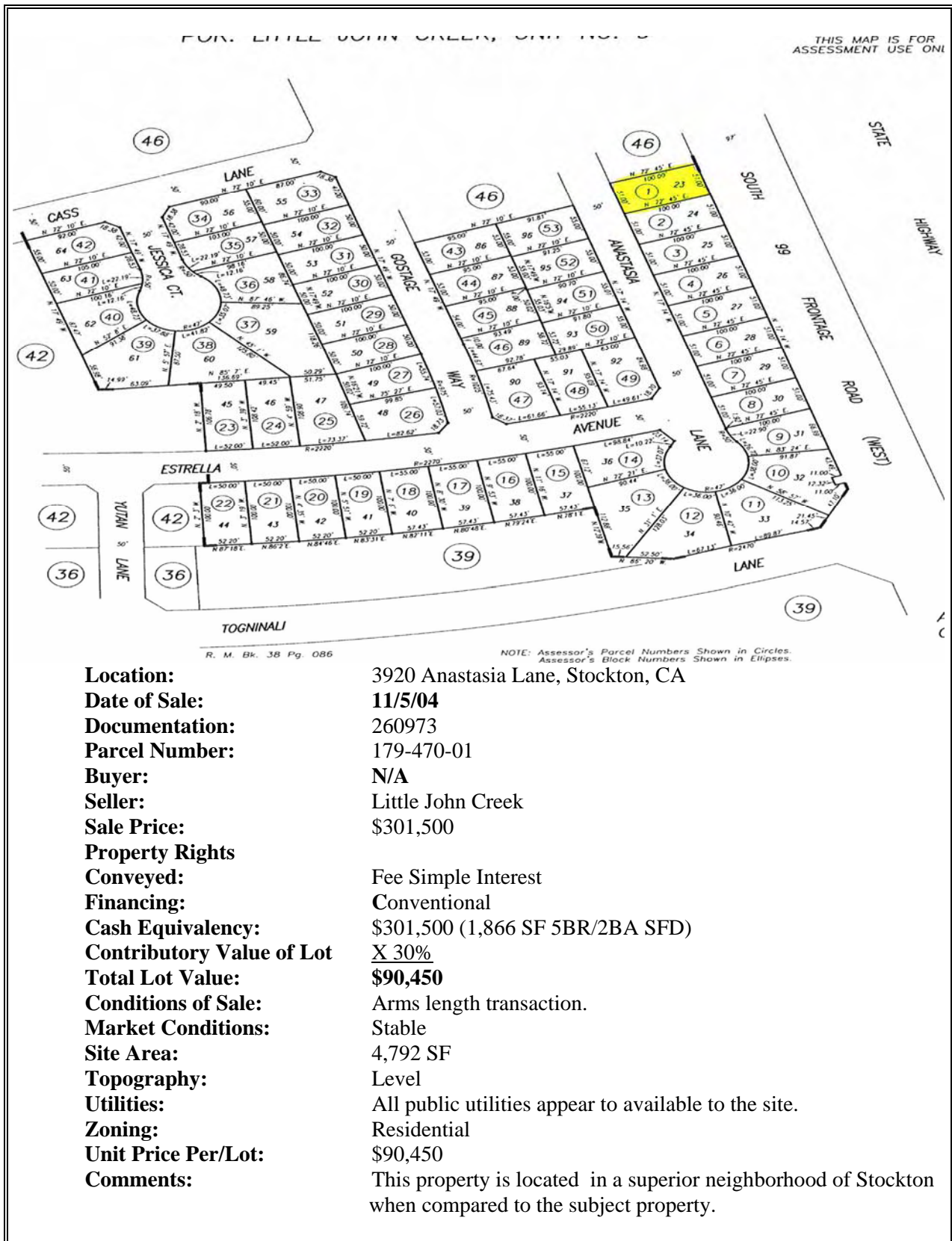
Stockton Metropolitan Airport

French Camp

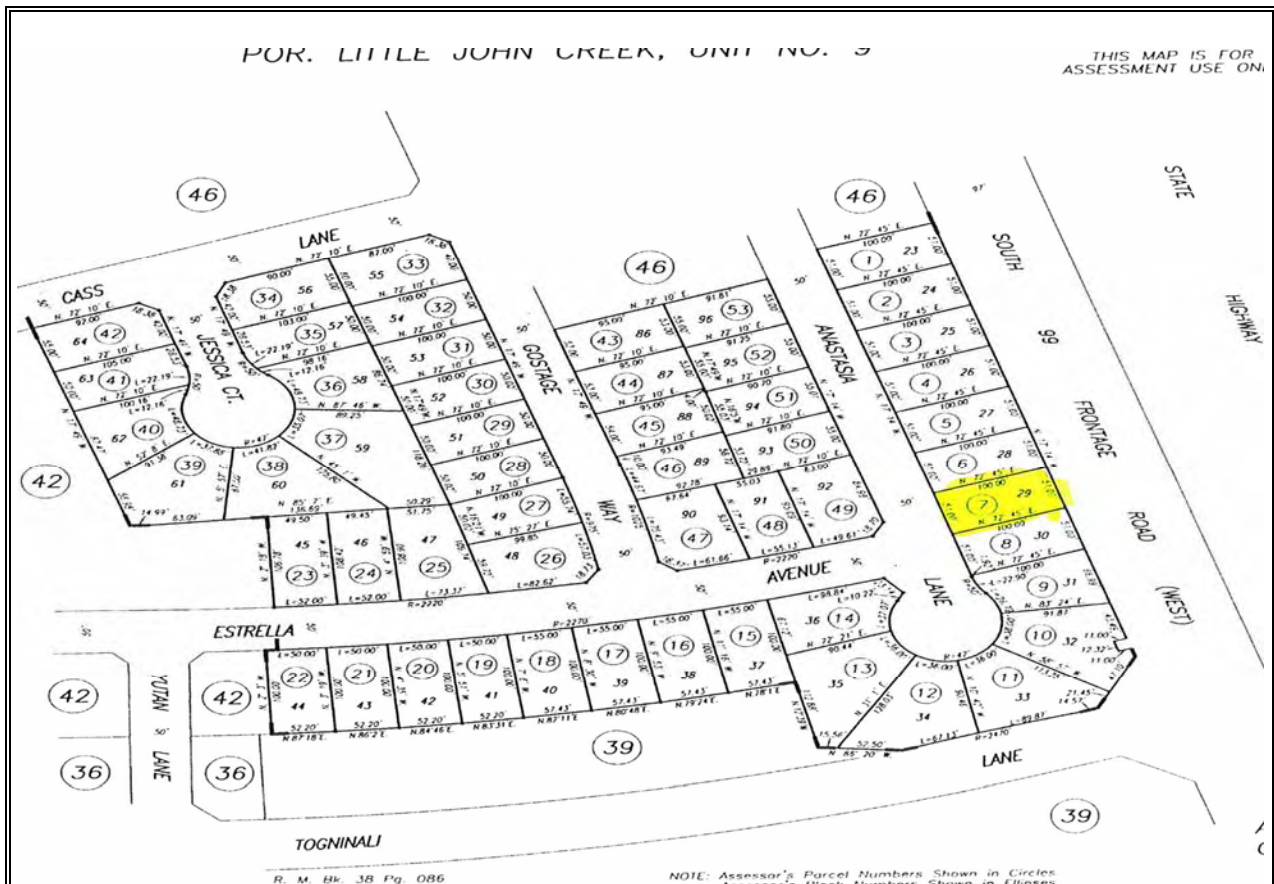
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**LAND RESIDUAL TECHNIQUE – AGGREGATE RETAIL OF FINISHED LOTS****FINISHED LOT SALE COMPARISON #1 (Allocation)**

<b>Location:</b>	3965 Gostage Way, Stockton, CA
<b>Date of Sale:</b>	1/28/05
<b>Documentation:</b>	26232
<b>Parcel Number:</b>	179-470-26
<b>Buyer:</b>	N/A
<b>Seller:</b>	Little John Creek
<b>Sale Price:</b>	\$325,500
<b>Property Rights Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$325,500 (1,806 SF 4BR/2BA SFD)
<b>Contributory Value of Lot</b>	<u>X 30%</u>
<b>Total Lot Value:</b>	<b>\$97,650</b>
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Stable
<b>Site Area:</b>	6,098 SF
<b>Topography:</b>	Level
<b>Utilities:</b>	All public utilities appear to available to the site.
<b>Zoning:</b>	Residential
<b>Unit Price Per/Lot:</b>	\$97,650
<b>Comments:</b>	This property is located in a superior neighborhood of Stockton when compared to the subject property.

**FINISHED LOT SALE COMPARISON #2 (Allocation)**



**FINISHED LOT SALE COMPARISON #3 (Allocation)**

<b>Location:</b>	3968 Anastasia Lane, Stockton, CA
<b>Date of Sale:</b>	12/14/04
<b>Documentation:</b>	284746
<b>Parcel Number:</b>	179-470-07
<b>Buyer:</b>	N/A
<b>Seller:</b>	Little John Creek
<b>Sale Price:</b>	\$302,000
<b>Property Rights</b>	
<b>Conveyed:</b>	Fee Simple Interest
<b>Financing:</b>	Conventional
<b>Cash Equivalency:</b>	\$302,000 (1,814 SF 4BR/2BA SFD)
<b>Contributory Value of Lot</b>	<u>X 30%</u>
<b>Total Lot Value:</b>	<b>\$90,600</b>
<b>Conditions of Sale:</b>	Arms length transaction.
<b>Market Conditions:</b>	Stable
<b>Site Area:</b>	4,792 SF
<b>Topography:</b>	Level
<b>Utilities:</b>	All public utilities appear to available to the site.
<b>Zoning:</b>	Residential
<b>Unit Price Per/Lot:</b>	\$90,600
<b>Comments:</b>	This property is located in a superior neighborhood of Stockton when compared to the subject property.

**FINISHED LOT SALES COMPARISON GRID (6,000 SF – Avg.) As of  
Prospective Date of 12/31/2013**

FACTOR	SUBJECT	NO. 1		NO. 2		NO. 3	
Location	Pock Lane & Carpenter Street Stockton, CA	3965 Gostage Way Stockton, CA		3920 Anastasia Lane Stockton, CA		3968 Anastasia Lane Stockton, CA	
Date of Sale	12/31/2013	1/28/05		11/5/04		12/8/04	
Sale Price	\$96,602	\$97,650		\$90,450		\$90,600	
Typical Lot Size (SF)	6,000 SF	6,098 SF		4,792 SF		4,792 SF	
Price per Lot	\$96,602	\$97,650		\$90,450		\$90,600	
CHARACTERISTIC SUBJECT							
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Financing Terms	Cash	Cash		Cash		Cash	
Conditions of Sale	Arm's Length	Arm's Length		Arm's Length		Arm's Length	
Market Conditions	Prospective - Stable	Stable	-0-	Stable	-0-	Stable	-0-
Adjusted Price/Lot	\$96,602	\$97,650		\$90,450		\$90,600	
PHYSICAL ADJUSTMENTS							
Size	6,000 SF	6,098 SF	-0-	4,792 SF	+\$5,200	4,792 SF	+\$5,200
Location	Average	Similar	-0-	Similar	-0-	Similar	-0-
Specific Location within the subdivision	Average	Similar	-0-	Similar	-0-	Similar	-0-
Neighborhood Reputation	Average	Superior	(1,000)	Superior	(1,000)	Superior	(1,000)
ADJUSTMENTS							
Neighborhood Reputation (Superior)	(1,000)	96,650		89,450		89,600	
Size (Smaller) 1 & 2	+5,200	96,650		96,650		96,800	
Net Adjustment		(1,000)		+6,200		+6,200	
Adjusted Unit Price	\$96,602	\$96,650		\$96,650		\$96,800	
WEIGHTED VALUES							
Reliability (1-10)		8		8		8	
Contribution (%)		0.3333		0.3333		0.3333	
Contribution (\$)	\$96,602	\$32,184		\$32,184		\$32,234	



**LAND RESIDUAL TECHNIQUE – AGGREGATE RETAIL ANALYSIS**

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**B. Comparable Lot Sales Analysis (continued)**

“The sales comparison approach may be used to value land that is actually vacant or land that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing land and it is the preferred method when comparable sales are available. To apply this method, sales of similar parcels of land are analyzed, compared and adjusted to provide a value indication for the land being appraised. In the comparison process the similarity or dissimilarity of the parcels is considered.”<sup>2</sup>

Adjustments to each of the sales are required for significant differences which effect value. “The order in which quantitative adjustments are applied to the sale prices of comparable properties” is called the sequence of adjustments. “The sequence of adjustments is determined by the market and through analysis of the data.”<sup>3</sup> Using the sequence, the appraiser obtains intermediate price figures and applies succeeding adjustments to each previously adjusted price. The adjustments applied to the price of a comparable property reflect the sale’s superiority or inferiority in regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, and physical characteristics.

There are “basic elements of comparison that should always be considered in Sales Comparison Analysis”<sup>4</sup> and other physical differences. All of the sales sold as fee simple estates as arm’s length transactions and therefore, adjustments were not required for these aspects.

**1. Property Rights, Financing Terms and Conditions of Sale:**

All comparable site sales were sold or listed as Fee Simple Estates. Financing terms for the sales represented cash or its equivalent to the sellers. Lastly, Conditions of Sale were based on an arm’s length basis. These three characteristics of the sale properties are equal to the assumptions being applied to the subject property. Consequently, no adjustments were necessary for these three characteristics of the sale properties.

**2. Time and Market Conditions:**

Market Value estimates assume an open and competitive marketplace. Current market conditions leading up to the date of appraisal have been a period of decreasing market activity. Proper analysis of sales transactions in comparison to the subject is for circumstances to parallel the definition of Market Value. To the extent that any of the conditions of a sale differ substantially from the elements in the definition, without appropriate adjustment, the transaction fails as evidence of Market Value.

The subject property is being appraised as of the prospective date of 12/31/2013 at which time market conditions are expected to be back in balance. Therefore, no adjustments were made for market conditions according to dates of sales.

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<sup>2</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 337

<sup>3</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 443

<sup>4</sup> The Appraisal of Real Estate, 12<sup>th</sup> Edition, (Chicago: Appraisal Institute, 2001), Page 426

**LAND RESIDUAL TECHNIQUE – AGGREGATE RETAIL ANALYSIS****B. Comparable Lot Sales Analysis (continued)****3. Neighborhood Reputation Adjustment:**

All three Comparable Lot Sales have slightly superior neighborhood reputations when compared to the subject property. Therefore, a downward adjustment of \$1,000 per lot was made to all three Comparable Lot Sales.

**3. Size Adjustment:**

A matched pair was found between Comparable Sale #1 & #2. They are exactly alike except Comparable Sale #2 is smaller. Comparable Sale #3 is also smaller. Therefore, an upward adjustment of \$5,200 per lot was made to Comparable Sale #2 & #3.

**4. Location Adjustment:**

All three Comparable Lot Sales have similar locations when compared to the subject property. Therefore, no adjustments were made.

**Vacant Finished Residential Lot Conclusion:**

The land sales described in this report were representative of the current market in the subject's neighborhood. These sales allowed for derivation of market adjustments to be applied for differences between the sales and subject property. The results from the grid indicated a range of \$96,650 to \$96,800 per finished lot with an adjusted price per finished lot of \$96,602 for the subject's average lot.

Reliability factors from 1 to 10, 10 being the most comparable, were assigned to the comparable sales. The sales were rated for reliability on the basis of size and number of adjustments. Adding these factors together and dividing individually indicated a percent contribution for each sale. Multiplying these contributions by the adjusted sale value indications per finished lot indicated a dollar contribution per sale. Adding these dollar contributions together indicated a dollar per finished lot value for the subject site. The market value indication of the site can therefore, be calculated as follows:

**AGGREGATE RETAIL**

<b>863 Finished Lots</b>	<b>X</b>	<b>\$96,602/Lot</b>	<b>=</b>	<b>\$83,367,526</b>
<b>863 Finished Lots (Rounded)</b>			<b>=</b>	<b>\$83,368,000</b>

## **LAND RESIDUAL TECHNIQUE – DISCOUNTED CASH FLOW ANALYSIS**

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### **C. THE INCOME APPROACH TO VALUE (PRESENT WORTH ANALYSIS - DCF)**

The required information and steps in this analysis are as follows;

1. Estimation of finished super pad & lot values previously estimated in the comparable sales analysis.
2. Estimation of absorption period.
3. Estimation of holding cost and marketing expenses.
4. Discounting of probable net revenues over the absorption period based on assumptions regarding appreciation/depreciation, holding costs, and discounting for cost of mortgage and equity capital.

The following pages contain the analysis of the absorption time and the holding costs that can be expected.

#### **A. Estimation of Absorption Period**

The estimation of the proposed absorption period is one of the most important factors of the analysis and valuation of the subdivision. Differences in the forecast absorption period can cause significant changes in the conclusions of market value, and can affect the conclusion of (or lack of) economic feasibility.

The appraiser's estimate of an absorption period is typically formulated from a consideration of:

1. Historical absorption (demand) for similar properties (number of finished dwellings or percent of project per period).
2. Analysis of underlying demand and trends; i.e., are there likely to be as many (or more or less) buyers for this type of property in the future as there have been in the past?
3. Analysis of the present supply of competitive properties; i.e., how will they compete for the available market demand with the subject?
4. Analysis of the probable future demand. The appraisers must consider not only what has sold in the past and what is available as of the date of appraisal, but the probable supply of competitive offerings over the absorption period as well. Known supply (or assumed supply including the subject), as well as probable additions should be considered as potential competitive supply during absorption.
5. Comparison of probable future demand to probable future supply (including subject). It is important that market segmentation in the analysis be identified; i.e., the supply and demand levels for competitive dwellings.

The subject consists of a proposed 863 lot residential community.

## LAND RESIDUAL TECHNIQUE – DISCOUNTED CASH FLOW ANALYSIS

---

### C. THE INCOME APPROACH TO VALUE (PRESENT WORTH ANALYSIS - DCF)

#### A. Estimation of Absorption Period (continued):

Listing agents in the Coachella Valley indicated that there are several sellers of existing and new dwellings in planned communities that would compete with condominiums in the subject's development. In addition, there are several new projects under construction with higher density zoning.

Recent sales and discussions with brokers familiar with this type of property and the **Market Pointe Report** all project that the rate of absorption for finished lots similar to the subject's proposed lots ranges approximately 72 per year. Based on the rate of sales in the similar projects surveyed and the recent trends in the market an absorption rate of approximately 72 sales per year for finished residential lots; in the subject's price range is estimated.

#### B. Estimation of Holding Costs

##### 1. Maintenance

The subject property should not incur substantial expenses in the maintenance of common areas during absorption. Private streets and landscape maintenance will eventually be taken over by the homeowner and the maintenance expense items are considered to be the homeowner's responsibility. However, maintaining a presentable appearance of unsold dwellings during absorption may be significant to maintaining the projected rate of sales and are included in the analysis.

##### 2. Property Taxes

Real property taxes on the subject property are typically incurred by the ownership of a subdivision. Often, the taxes during the first year of absorption reflect its underdeveloped or partially developed status as of the last assessment year. For the purpose of estimating deductions from gross income for ad valorem taxes, it is recognized that taxes can change over the absorption period but since the taxes are a projected rate indicated and deducted at each sale accordingly. The taxes are typically prorated between buyer and seller at closing, and that the owner of the subdivision incurs the expense only to the extent of the time the property has been owned. This amount is estimated at 1.1079% of the gross sale proceeds for the purposes of this report.

##### 3. Insurance

\$600 per year is estimated for insurance for raw land during holding period and \$600 per lot per year through sell-out.

##### 4. Closing Costs/Legal/Accounting

To the extent that the owner of the dwellings typically incurs expenses for deed preparation or other legal work (title work, recording fees, or other closing costs), these costs are recognized as deductions from periodic income from sales and in this case a rate of 1.0% is utilized for this aspect.

## **LAND RESIDUAL TECHNIQUE – DISCOUNTED CASH FLOW ANALYSIS**

---

### **C. THE INCOME APPROACH TO VALUE (PRESENT WORTH ANALYSIS - DCF)**

#### **5. Commissions**

The sale of developed lots with dwellings often depends upon the payment of sales commissions to outside brokers, inside or on-site sales representatives, or a combination of both. Few of these properties “sell themselves,” although the extent to which a sales staff is necessary or outside broker fees paid may vary widely. Therefore, it is considered reasonable to project a 2.0% commission to a sales representative, whether paid as a salary or as part salary and part commission or straight commission.

#### **6. Marketing**

Many subdivisions incur significant marketing expenses, others very little. Single-family residential subdivisions in areas with an excess of demand relative to supply may require very little if any marketing expense. Considering the nature of the local market and the specific nature of the subject project indicate that a significant amount of advertising is not required. Consequently, an estimate of approximately 1.0% of the gross income from sales is considered appropriate.

#### **7. Overhead**

“Overhead” is a generic term which can refer to a number of different expenses. Certainly a development which maintains an on-site office with a full-time secretary, telephone, and utilities has “overhead”. To the extent that such is considered reasonable and necessary by the typical owner, it is recognized by the appraisers as a deduction from the gross income from sales. Often, it is when the on-site staff serves multiple functions (i.e., secretary/sales agent). While the categorization of expenses may present difficulties, the most concern is with a recognition of the total expenses that is applicable to the development of the subject type. It is typical in this market to lump any “overhead” that is not covered in sales commissions, legal, accounting and closing cost, into the entrepreneurial profit/developer fee category of the analysis form small residential developments but in this case it is considered to be within the allowances for marketing and legal/accounting/closing.

#### **8. Profit/Developer’s Fee**

Developer’s profit and overhead is either shown as a line item to deduct in the subdivision’s discounted cash flow or it is included in the discount rate used to discount net proceeds. For residential developments expected to sell out over one or two years, it is customary in this region to show developer’s profit as part of the discount rate. During the early 2000’s developer profits were generally in the 10% to 15% range. Currently, due to market conditions, reasonable profits are expected to be approximately 10% which is not included within the discount rate utilized.



## **LAND RESIDUAL TECHNIQUE – DISCOUNTED CASH FLOW ANALYSIS**

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### **C. THE INCOME APPROACH TO VALUE (PRESENT WORTH ANALYSIS - DCF)**

#### **9. Subdivision Discount Rate**

The appropriate discount rate for use in discounting the net income derived from the sale of lots and dwellings over time is the rate of return required in the market for suppliers of capital for investments of similar level of risk. Generally, discount rates are determined from one or more of the following sources:

- a. Quoted Return Requirements from subdivision developers, land investors, and builders.
- b. Allocation- An allocation should be made from the quoted profit requirements of area developers between developer profit (to completion) and entrepreneurial/equity yield after completion from sales efforts.
- c. Comparison to Other Yields – Reported yield or return requirements of investors in other realty or new realty investments.

The appraiser must look at markets other than the real estate market and consider returns on alternate investments. The presumption is that in a capitalistic society, capital will flow to the highest return commensurate with risk, and that an increase in the return on the premier U.S. Treasury debt will ultimately require an increase in the return to all other investments.

### **C. Discounted Cash Flow Analysis**

Discounted cash flow (DCF) analysis is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate. The method is profit-or yield-oriented, simulating typical investor assumptions with formulas that calculate the present value of expected benefits assuming specified profit or yield requirements. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and complete recovery of the capital invested. The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained on the following page.

**LAND RESIDUAL TECHNIQUE – DISCOUNTED CASH FLOW ANALYSIS****1. Discounted Cash Flow Assumptions (150 Finished Residential Lots)**

<b>Effective Date of Appraisal:</b>		December 31, 2013 (Prospective)
Holding Period: (Finished Lots Status)		12 Years; From Completion to Sell-Out (Prospective Value); “As If Complete” 16 Years (Includes 4 Year Holding Period)
Holding Period: (Raw Land)		16 Years
Number of Finished Residential Lots	863	
Average Price Per Finished Lot	\$96,602	(863 Finished Lots)
Absorption Per Year	72	
Total Selling Price	\$83,368,000	Aggregate Retail Value
Annual Appreciation	1%	CPI & Inflation as offset
Years to Absorb	16	
Present Value Factor		14% (Discount rate) Raw Land (with 4 year holding period); 11% Bulk (4 Year Holding Period);
Negative Cash Flow Discount Rate		7%
Total Aggregate Retail		\$83,368,000

**2. Discounted Cash Flow Calculations**

The following pages contain discounted cash flow income and expense calculations related to the subject’s 863 finished residential lots “as if complete” and ready for sale upon the prospective date of 12/31/2013; the subject’s 863 finished residential lots “as if complete” and ready for sale upon the prospective date of the appraisal, December 31, 2013; and the “as is” market value of the subject’s 115.27 +/- Acres as of the effective date of appraisal 12/31/.2009.

**LAND RESIDUAL TECHNIQUE – DISCOUNTED CASH FLOW ANALYSIS**

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**THE INCOME APPROACH TO VALUE (PRESENT WORTH ANALYSIS)**

**C. Discounted Cash Flow Analysis (continued)**

**3. Bulk or Wholesale Market Value of 863 finished residential lots “As if Complete” to finished lot status as of the prospective date of appraisal December 31, 2013.**

**LAND RESIDUAL TECHNIQUE – DISCOUNTED CASH FLOW ANALYSIS**

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**THE INCOME APPROACH TO VALUE (PRESENT WORTH ANALYSIS)**

**C. Discounted Cash Flow Analysis (continued)**

**4. Bulk or Wholesale Market Value of 863 finished residential lots “As if Complete” to finished lot status as of the effective date of appraisal December 31, 2009.**

**LAND RESIDUAL TECHNIQUE – DISCOUNTED CASH FLOW ANALYSIS**

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**THE INCOME APPROACH TO VALUE (PRESENT WORTH ANALYSIS)**

**C. Discounted Cash Flow Analysis (continued)**

**4. “As Is” Market Value of 115.27 +/- Acres as of the effective date of appraisal, December 31, 2009.**



**RECONCILIATION****RECONCILIATION AND FINAL ESTIMATE OF VALUE (Fee Simple)**

- **Sales Comparison Approach “As Is”** **\$9,284,000**
- **Land Residual Technique “As Is”** **\$9,500,000**

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. Because the real estate market is imperfect, complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the subject property’s “as is” MARKET VALUE of 115.27 +/- Acres of vacant land if it were sold to an individual buyer. In the Sales Comparison Approach to value, the use of the Comparable sales for the valuation of vacant land is considered to provide a solid indication of value provided that recent sales can be found with which to compare the subject. A thorough search was conducted in the local Multiple Listings Service, First American Title Win2Data, and COSTAR COMPS for any evidence of vacant land market value during the past 18 months.

The Land Residual Approach is a good indication of land value and economic feasibility. Subtracting the hard and soft costs of development as well as the developer’s profit, from the present value of the future benefits indicates a residual to raw vacant land. The Land Residual Technique was given the most weight when estimating market value for this appraisal.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the “AS IS” MARKET VALUE of the subject property’s fee simple interest, as of the effective date December 31, 2009, is measured in the amount of:

**\$9,450,000 (\$82,415/Acre - \$10,950/paper lot)<sup>1</sup>**

**(NINE MILLION FOUR HUNDRED FIFTY THOUSAND DOLLARS)**

<sup>1</sup> Later in this report the reader will note the appraiser estimated an exposure time to sell this property after the date of this appraisal at 10-12 months. Consequently, due to current negative economic conditions, if the property must be sold prior to this 10-12 month exposure period after the date of this appraisal, the sales price would be considered a liquidation value which could be significantly less than the appraised market value.

**ADDENDA**

**CURRICULUM VITAE OF THE APPRAISER**

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**RAYMOND L. DOZIER, MAI**  
DOZIER APPRAISAL COMPANY  
Resort and Urban Property Appraisers  
73-350 El Paseo, Suite 206  
Palm Desert, California 92260  
Telephone (760) 776-4200  
Fax (760) 776-4977  
E-Mail Dozierappraisal@dc.rr.com

**Education:** University of Kentucky, B.A., 1974  
Business Administration and Economics

Law Student, JD Candidate,  
Saratoga University

**Professional:** MAI Member, Appraisal Institute  
Committee Member, Experience Review for MAI Designation  
Member, International Council of Shopping Centers (ICSC)  
Member, National Association of Realtors  
Member, California Association of Realtors  
Member, Certified Divorce Planners

**Expert**  
**Witness:** Superior Court of California  
U.S. District Court  
Federal Bankruptcy Court

**Licenses:** State of California Certified General Real Estate Appraiser #AG004590  
State of California Real Estate Broker #01173680

**Experience:** Commercial Appraiser - Associate with 1972-1980  
R.W. Karlee, MAI  
Dozier Appraisal Company, Resort & Urban 1980 -  
Property Appraiser - Owner

**Faculty:** Guest Instructor: University of Kentucky; Courses Taught Corporate Finance and  
The Time Value of Money.

**Continuing**  
**Education:** Subdivision Analysis; Litigation Valuation; Discounted Cash Flow; Economy and Local  
Trends; Architecture and Construction; FIRREA Law; Current Issues in Appraising;  
Summary and Restricted Reports; Special Purpose Property Appraisals – Going-Concern  
& Business Value; Subdivision Analysis; Fast Food Restaurant Valuation; “Benefits” in  
Eminent Domain Property Valuations; Attacking & Defending an Appraisal in Litigation;  
Master Planned Communities Skilled Nursing Facilities; Valuation of Detrimental  
Conditions; Real Estate Fraud and Appraiser's Role.

Page 2 - Curriculum Vitae of the Appraiser

**Partial List of Clients:**

**Legal and Accounting Firms:**

Pillsbury, Madison & Sutro - L.A.  
Rutan & Tucker - Costa Mesa, CA  
Scott J. Zundel

Schlecht, Shevlin & Shoenberger  
Murphy, Pearson, Bradley & Feeney - San Francisco  
Best, Best & Krieger

**Lending Institutions:**

El Dorado Bank  
American Commerce Bank  
Home Savings of America  
First Security Mortgage  
Salt Lake City, Utah  
Wells Fargo Bank  
Palm Springs Savings Bank  
First Community Bank  
Palm Desert National Bank  
Bank of the Desert  
Bank of California  
Transco Mortgage Company  
Bank of Los Angeles

Union Bank  
Valley National Bank of Arizona  
Manufacture's Bank  
PFF Bank & Trust  
(Formerly Pomona First Federal)  
First Security Bank  
Farmer's Merchant Bank - Long Beach  
Riverside National Bank  
San Diego National Bank  
Mitsubishi Bank, LTD  
Midland Financial - Clearwater, FL  
First Interstate Bank  
Mitsubishi Bank, LTD

**Government Agencies:**

Bureau of Indian Affairs  
Bureau of Land Management ( BLM )  
Palm Springs California Edison  
Southern California Edison  
Southern California Gas  
City of Rancho Mirage  
City of Coachella  
City of Indio  
City of Palm Springs  
County of Riverside  
U.S. Department of Agricultural  
City of La Quinta  
Riverside County Housing

City of Cathedral City  
RTC - Contract  
City of Palm Desert  
City of Moreno Valley  
FDIC  
Department of Indian Affairs  
Sacramento, CA  
City Indian wells  
Farmer Home Administration  
State of California Department of Ins.  
SBA Regional Office  
Federal Aviation Administration (FAA)  
Riverside County Flood Control

**Schools:**

Desert Sands Unified School District  
Morongo Unified School District  
Palm Springs Unified School District

**Utilities:**

Coachella Valley Water District  
Morongo Water District  
Cal - Trans  
Desert Water Agency

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**Hospitals:**

Eisenhower Medical Center  
JFK Memorial Hospital  
Riverside General Hospital  
Desert Hospital

**Corporations:**

Bechtel Corporation  
Motion Picture & TV Fund

**Non-Profit Organizations:**

Berger Foundation  
Joseph Drown Foundation

**Insurance Companies:**

Republic Western, Scottsdale, AZ

**Real Estate Development & Engineering:**

Wessman Construction Company  
American Properties Funding  
Del Webb California Corporation  
Lowe Development  
Ocean Properties - San Diego  
Oliphant & Lizza, Development Group

Strother Construction Company  
Regency Homes - Peter Soloman  
Orr Construction  
Aqua Caliente Band of Cahuilla Indians  
Ruby Broadcasting Company

**Appraisal Functions Include:**

Acquisitions, Bankruptcy, Bond Financing, Condemnation, Construction Defect, Disposition and Liquidation Decision Making, Abundance of Caution for Federally Related Transaction, Donation, Estate Tax Appeal, Exchange, Excess Land, Determination of Economic Feasibility and Market Absorption, Foreclosures, Litigation, Real Property Tax Appeal, Negotiation, Partnership Dissolution, Portfolio Review for Non-Profits, Redevelopment, Lending for Real Property and Going Concern, Group Rental for Long Term Leases, Determining Highest and Best Use of Undeveloped Acreage, Claims of Damage to Real Estate Caused by Other Party, USPAP Compliance Appraisal Review.

**Typical Appraisal Assignments:**

**Public:**

Airport Expansions, Assessment Districts, Electrical & Access R/W's, Flood Control Projects, Park Sites, Subterranean Pipeline Easements, Golf Courses, Proposed Prison Sites, Public Right -of - Way Dedications, Railroad R/W's, School Sites, Temporary Easements, Urban and Rural Mountainous Land, Indian and Leaseholds and Lease Fees, Mountainous Communication Tower Sites, IRS seizures on Questionable Properties, Desert Lands, Accretion Interests Caused By Changing River Courses, and RTC Deposition for Auctions.

**Private:**

Drug Rehab Centers, Cold Storage Facilities, Mobile Home Parks, Day Care Centers, Mini-Storage, Newspaper Buildings, Proposed Service Station, Car-washes, Apartment Complexes, Medical Office Buildings, Neighborhood & Community Shopping Centers, Residential and Commercial Subdivisions, Restaurant Going - Concern, Undeveloped Acreage, Highest and Best Used Studies, Highway Patrol Facilities, Churches, Special Purpose Properties, Trucking, Distribution Facilities, Golf Course Properties, Proposed Time-Share Developments, Aggregate Retail and Bulk or Wholesale Values of proposed Subdivision Developments, Retrospective Real Property Valuations, Motels, Parking Lots, Gypsum Mine Acres, Clothing Optional Resorts, R & D Industrial Facilities, Historical Buildings, Agricultural Going - Concern, Riverfront Properties, Ranch's and Equestrian Centers, Thoroughbred Racehorse Farms, Sports Clubs, Multi - Screen Movie Theaters, High-rise Office Buildings, Planned Unit Developments (PUD's), to Estimate Liquidation Value for Forced Sale or Auction Proceedings, Recreation Properties, Campgrounds, and Cemeteries.



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**Interest and Value Types Appraised:**

Fee Simple Estate

Leased Fee Estate

Lease Hold Estate

Sandwich Leasehold Estate

Life Estates

Vertical Estates (Subsurface & Air Rights)

Easements

Partnership Interests

- Joint Tenancy Value

- Tenancy by the Entirety Value

- Tenancy in Common Value

Market Rental Value

Specialized Fractional Ownership

- Condominium Interest

- Cooperative Interest

- Timeshare Interest

Legal Entities Affecting Ownership

- Stock Corporation Market Value

- Land Trust Beneficiary's Partial Interest

- Fixed Assets

- Tangible Assets Value

- Intangible Assets Value

- Financial Assets Value

- General and Limited Partnership Interests

- Equity Syndications

- Closely Held Business

- Going Concern Value (Real Property & Business Value)

- Business Value only

- Liquidation Value vs Continued Operation of Business

- Use Value (as opposed to Value in Exchange)

Investment Value (individual's Investment Return Objectives)

Highest and Best Use Analysis Impacting Value

- Economic Feasibility Studies

Eminent Domain (State and Federal Rule)

- Just Compensation Estimates for Public Takings of Private Property Interests

- Determination of the "Larger Parcel"

- Other Legal Matters

- Valuation of Detrimental Conditions, Construction Defects, etc.

- Diminution of Value ( Before and After )

**DOZIER APPRAISAL COMPANY**  
**Resort and Urban Property Appraisers**  
**Valuation and financial Consultants**

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RAYMOND L. DOZIER, MAI  
CERTIFIED GENERAL APPRAISER  
LICENSE # AG004590  
STATE TAX ID # 61-1063795

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**COMPANY PROFILE**

Dozier Appraisal Company is a real property and financial consulting firm specializing in litigation consulting and real property/business valuation services. Founded in 1980 as a real property /business valuation firm, Dozier Appraisal Company consists of a team of dedicated professionals with experience in financial and economic analysis, real property valuation, business valuation, condemnation, damage analysis and related disciplines.

**REAL PROPERTY AND BUSINESS VALUATIONS SERVICES**

Dozier Appraisal Company has extensive expertise in valuation of all types of complex real property interests and of close-held businesses. The firm provides assistance in valuation matters for:

Real Property

- Estates; Private Lending
- Commercial Lending
- Eminent Domain Proceedings
- Highest and Best Use Analysis
- Partial Interest Valuation
- Economic Feasibility
- Market Rental and Absorption

Businesses

- Marital Dissolution
- Community Property Settlement
- Partnership or Corporate Dissolution
- Estate, Gift and Other Tax Matters
- Stock Contributions to Charitable Organizations
- General Business Litigation

The firm has completed more than two thousand valuation assignments covering wide spectrum of industries including:

- Resorts
- Agriculture
- Contracting
- Distribution
- Financial Services
- Public Agencies
- Hospitality
- Manufacturing
- Professional Practice
- Retail
- Sports & Leisure
- Services

## Page 2 – Company Profile

In addition, Dozier Appraisal Company has expertise in valuing intangible business assets, including:

- Going Concern Value
- Goodwill
- Existing Contracts
- Brand Names & Registered Trademarks
- Affiliation Agreements
- Franchises
- Firm Rights
- Copyrights
- Leasehold Interests
- Licenses
- Patents
- Employment Contracts
- Mailing Lists
- Water Rights
- Tax Credits for Past Losses

The Philosophy of Dozier Appraisal Company is to provide thoroughly, objective valuation analysis of real property interest and closely-held companies. The firm accepts many of its valuation assignments by stipulation of the parties to a legal proceeding in which the value of real property or business interests are at issue. Appraisals prepared by Dozier Appraisal Company have been successfully defended in the courts many times.

### **Community Property Matters**

The valuation of a going business or professional practice in a community property division is a complicated process requiring a broad-based knowledge of the laws pertaining to community property business valuations. Although Dozier Appraisal Company does not render legal services, the firm has significant expertise in community property assignments, including the valuation of non-salable professional goodwill and calculations relating to the allocation of business appreciation between community and separate property (Pereira and Van Camp analysis).

### **Eminent Domain Matters**

Dozier Appraisal Company has extensive experience in just Compensation estimates for public takings of private property interests. One of the most critical factors in determining the taking's "before" and "after" market value is the estimation of "what is the Larger Parcel"? Damages to the remainder due to a partial taking can be significant. Consequently, it is critical that the "Larger Parcel" be accurately determined. Dozier Appraisal Company can be instrumental in providing legal counsel consultation in review of opposition's appraisal; suggested line of questioning in valuation matters regarding depositions and trials; and a fair and though explanation of all influences that impact market value.

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## **LITIGATION CONSULTING SERVICES**

Dozier Appraisal Company provides a full spectrum of litigation support services to the legal community. The firm's area of expertise includes evaluation of economic damage resulting from business torts, breach of contract, personal injury, wrongful termination and other causes of action. Litigation support services range from document review and preliminary damage calculations to complete financial analysis and research culminating in a formal, written report or expert testimony.

### **Financial and Economic Analysis**

Dozier Appraisal Company provides financial and economic analysis to estimate damages in civil litigation matters. The professional staff of Dozier Appraisal Company has expertise in damage analysis and computing lost profits for many types of cases, including:

- Antitrust
- Breach of Contract
- Business Interruption
- Business Torts
- Copyright Infringement
- Fraud and Embezzlement
- Lender Liability
- Patent Infringement
- Personal Injury
- Professional Liability
- Wrongful Death
- Wrongful Termination

### **Forensic Appraising Services**

The firm performs investigative services in the areas of:

- Tracing separate and community funds
- Searching for unrecorded income
- Analyzing expenses and expenditures
- Reconstruction of incomplete or inaccessible records

### **Other Consulting Services**

In addition to our other services, Dozier Appraisal Company can facilitate discovery, settlement negotiation and trial preparation by:

- Providing economic research
- Reviewing financial documents and selecting key items to be analyzed
- Conducting quantitative analysis for settlement negotiations

Page 4 – Company Profile

**Other Consulting Services (Cont'd)**

- Locating outside information sources
- Preparing questions for and interpreting responses of other financial witnesses
- Assisting in cross examination preparation
- Critiquing opinion and providing rebuttal testimony

**Expert Testimony**

The senior associates at Dozier Appraisal Company have significant litigation experience. The firm's philosophy is to present credible, defensible solutions to financial and economic issues in concise reports or through expert testimony, if required. The use of courtroom quality graphics helps to illustrate our findings in a readily understandable format.

### **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report has been made with the following general and specific assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management is assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in the report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or in arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based.
10. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication.
12. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.



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Assumptions and Limiting Conditions

13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm, with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
14. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimated, unless such proration or divisions of interests have been set forth in the report.
15. No legal description or survey was furnished so the appraiser utilized the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove these characteristics inaccurate, it may be necessary for this appraisal to be adjusted.
16. The forecasts, projections, or operation estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factor, and a continued state economy. These forecasts are, therefore, subject to changes in future conditions.
17. The term "Market Value", as used in this report, as agreed upon by federal financial institutions in the United States of America is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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Assumptions and Limiting Conditions

18. The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The appraiser is not obligated to predict future political, economic or social trends.
19. In preparing this report, the appraiser was required to rely on information furnished by other individuals or found in previously existing records and /or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed implied, is given by the appraiser for the accuracy of such information and the appraiser assumes no responsibility for information relied upon later found to have been inaccurate. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available.
20. No opinion as to the title of the subject properties rendered. Data related to ownership and legal description was obtained from public records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management.
21. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed in arranging for engineering, geological, or environmental studies that may be required to discover such hidden or unapparent conditions.
22. The appraiser has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the appraiser did not become aware of the presence of any such material or substance during the appraiser's inspection of the subject property. However, the appraiser is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimate in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such property or in such proximity thereto that it would cause a loss in value. The appraiser assumes no responsibility for the presence of any such substances or materials on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

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Assumptions and Limiting Conditions

23. Unless otherwise stated, the subject property is appraised assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.
24. Unless otherwise stated, the property is appraised assuming that all required licensees, permits, certificates, consents or other legislative and/or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
25. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.
26. No opinion is expressed as to the value of subsidiaries oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as expressly stated.
27. Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as survey or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.
28. No opinions are intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
29. Where the discounted cash flow analysis is utilized, it has been prepared on the basis of the information and assumptions stipulated in this appraisal report. The achievement of any financial projections or forecasts will be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, the actual results achieved may vary from the projections and such variation may be material.
30. Property values are influenced by a large number of external factors. The information contained in the report comprised the pertinent data considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the value of the subject property. Due to rapid changes in external factors, the value estimate is considered reliable only as of the effect date of the appraisal.

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#### Assumptions and Limiting Conditions

31. The liability of Dozier Appraisal Company, its owner and staff is limited to the Client only and to the amount of fees actually paid for the services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the Client, the Client shall make such party aware of all Limiting Conditions and Assumptions of the assignment and related discussions. The Appraiser is in no way responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially and/or legally. The Client also agrees that in case of a lawsuit (brought by lender, partner or part owner in any form or ownership, tenancy or any other party), Client will hold appraisers completely harmless for and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

#### Competency Provision

32. The appraiser undertaking this assignment warrants that he is competent in properly identifying the appraisal problem and has the necessary knowledge and experience to complete the assignment.

#### Entire Fee Appraised

33. At the request of the Client, the valuation reported in the appraisal report relates to the value of the entire fee simple estate considered as whole. This valuation opinion is not divisible into portions of the subject property representing less than the entire fee simple estate. For example, it may not be assumed that half of the fee simple estate has a market value of half of the market value for the entire fee simple estate.

#### Appraisal Without Title Policy

34. A title policy was made available to the appraiser, although the appraiser assumes no responsibility for such items of record not disclosed by the appraiser's customary investigation.

#### Soils/Geologic Studies

35. No detailed soils or geological studies or reports were made available to the appraiser. Premises employed in this report regarding soils and geologic qualities of the subject property have been discussed with the Client and are consistent with the information made available to the appraiser. However, such premises are not conclusive and the appraiser assumes no responsibility for soils or geological conditions discovered to be different from the conditions assumed in this report.

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## Assumptions and Limiting Conditions

### Earthquake Potential

36. The property which is the subject of this appraisal is within a geographic area prone to earthquakes and other seismic disturbances. Except as specifically indicated in the report, no seismic or geological studies have been provided to the appraiser concerning the geologic and/or seismic conditions of the subject property. The appraiser assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

### Testimony in Court

37. Testimony or attendance in Court or at any hearing is not required by the reason of this appraisal unless further authorization to fully appraise the property involved is granted to the appraiser at a fee to be determined prior to the commencement of such additional work.

### Structural Deficiencies

38. The appraiser has personally inspected the subject property, and except as noted in this report, finds no obvious evidence of structural deficiencies in any improvements located on the subject property. However, the appraiser assumes no responsibility for hidden defects or non-conformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professionals or governmental agencies were provided to the appraiser. Further, the appraiser is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the appraiser at the time of his inspection.

39. American with Disabilities Act of 1990 ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

### Termite/Pest Inspection

40. No termite or pest infestation report was made available to the appraiser. It is assumed that there is no significant termite pest damage or infestation, unless otherwise stated.

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Assumptions and Limiting Conditions

**Personal Property Not Appraised**

41. No consideration has been given in this appraisal as to the value of the property located on the premises considered by the appraiser to be personal property, nor has the appraiser given consideration to the costs of moving or relocating such personal property; only the real property has been considered in this appraisal.

**Asbestos**

42. The appraiser is not aware of the existence of asbestos in any improvement on the subject property. However, the appraiser is not trained to discover the presence of asbestos and assumes no responsibility should asbestos be found in or at the subject property. For the purposes of this report, the appraiser assumes the subject property is free of asbestos and that the subject property meets all federal, state, and local laws regarding asbestos abatement.

**Archaeological Significance**

43. No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological or historical significance
44. The value stated herein is not considered appropriate for a broad based ownership such as a syndication. It is understood and agreed that the appraisal report of valuation stated herein shall not be relied upon or utilized in any syndication or real estate security registration document.



**FLOOD MAP**